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FINANCIAL TIMES

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D 8523A

ART MARKET

Japanese buyers go to ground

Page 17

World News

Italy acts to repel influx of Albanian 'boat people'

At least 20,000 would-be refugees from Albania were blocked on ships in Italian ports or sailing towards Italy as the Rome government grappled with the latest wave of Albanian "boat people".

In Tirana, Albania said it had halted passenger trains to stem the exodus and the ports were under military control. At least 12 Albanians have died in the past two days in dockside fighting in Albanian ports, according to Italian reports. Page 18

CSCE peace talks bid

Diplomats attending the 35-member Prague Conference on Security and Co-operation in Europe will try to seek agreement for convening an international peace conference on Yugoslavia. Page 18; Croatia Fighting masks Milosevic's moves, Page 2

Exports to Iraq defended

Military goods and chemicals licensed by Britain for export to Iraq before its invasion of Kuwait did not breach trade embargoes and could not have been used in chemical warfare, said UK trade and industry secretary Peter Lilley. Page 9; UN may let Iraq sell oil worth up to $1.6bn, Page 4

Treuhand sell-off

Germany's Treuhand privatisation agency said it had sold about a quarter – more than 3,000 – of the state-owned eastern German enterprises it inherited during the unification process last year. Treuhand seeks remedy for biggest headache, Page 2

Nomura hostage protest

Two gunmen from a right-wing group took a hostage at the Tokyo headquarters of scandal-hit Nomura Securities to express the anger of private investors about the compensation paid to corporate clients. Picture, Page 4

Crackdown on Triads

Hong Kong plans to introduce tough new measures to fight triads and organised crime, and will raise the maximum penalties for repeated offenders to a HK$10m ($1.29m) fine and life imprisonment. Page 4

Greek cabinet changes

The Greek prime minister, Constantine Mitsotakis, has replaced six ministers in a reshuffle aimed at speeding up structural reforms. Page 2

UN membership

The Security Council approved without a vote a resolution recommending UN membership for North and South Korea. Page 4

Former president jailed

Former Dominican president Salvador Jorge Blanco was convicted of corruption and will start a 20-year jail sentence.

Diplomatic ties resumed

Argentina and South Africa resumed full diplomatic ties, five years after Argentina severed its relations in protest at apartheid.

Meanwhile, India and the Soviet Union announced they would extend their historic 1971 Treaty for Peace, Friendship and Co-operation for another 20 years.

Business Summary

Soviet bank chief's threat of 'harsh measures'

Gosbank, the Soviet Union's central bank, will impose "harsh measures" against banks in the republics whose unrestrained lending was fuelling an explosion in credit, Mr Victor Gerashchenko, Gosbank chairman, said. The central bank of the Russian Federation was the "worst culprit".

Mr Gerashchenko said in a tough survey of the economy: "The country is not yet responding to economic reform – the earning of money is not yet connected either with production or with productivity." Page 2

ROYAL DUTCH SHELL, Anglo-Dutch oil group, reported a sharp decline in profits from petrochemicals and a poor US performance. Net income fell 12 per cent to £653m ($1.12bn) on a replacement cost basis from £745m in the same quarter a year ago. Page 19; Details, Page 23

BRITISH PETROLEUM saw a poor chemicals return offset by stronger oil production and gains from divestments, to report a 10 per cent increase in second-quarter pre-tax income to £313m ($535m) on a replacement cost basis, compared with £284m in the same period last year. Page 19; Details, Page 23; Lex, Page 18

TOYOTA, Japanese car maker, is to invest about A$420m ($328m) to produce 100,000 cars a year near Melbourne, Australia. Page 3

SOTHEBY'S HOLDINGS, international auctioneer, reported taxable income of $9.12m in the six months to end-June compared with $117.1m in the same period last year. It said the bottom of the art market cycle had passed. Page 19; Lex, Page 18

CONSOLIDATED Press Holdings, Kerry Packer's privately-controlled media and industrial group, sold an 18 per cent stake in Australian National Industries engineering group for about A$218m ($170m). Page 21

SKF, Swedish roller bearings maker, suffered a 95.3 per cent drop in its first six months' profits to SKr63m ($10.1m). It expects a slow second-half recovery. Page 20

KLM ROYAL DUTCH Airlines posted a big rise in first-quarter net profit of Fl 135.9m ($70.4m) from Fl 41.4m in the same period of 1990. Page 20

CIBA-GEIGY, biggest Swiss chemicals group, has bought 20 per cent of Tomono Nohyaku, Japanese manufacturer of plant protection products, for an undisclosed price. Page 20

WPP, the world's largest marketing services group, fell victim to the depressed US and UK advertising markets with pre-tax profits down from £46.03m ($78.66m) to £15.99m in the first half of the year. Page 20

PLAYMATES HOLDINGS, Hong Kong-based marketer of Teenage Mutant Ninja Turtles, reported an 8 per cent rise in interim net profits to HK$379.9m ($49m). Its shares fell 9 per cent in a market used to sixfold increases in profits since the Turtles took the US by storm. Page 21

Kidnappers try to bring pressure on Israel to release prisoners

McCarthy freed after 5 years

By Michael Littlejohns at the United Nations, Victor Mallet in Jerusalem, Andrew Jack in London and Peter Riddell in Washington

MR John McCarthy, the British journalist held hostage in Lebanon for more than five years, was freed yesterday in an attempt by his kidnappers to bring pressure on Israel to release hundreds of southern Lebanese Shia Moslems and Palestinians.

Mr McCarthy arrived in the Syrian capital Damascus carrying a letter to Mr Javier Pérez de Cuéllar, the UN secretary general, in which the demands of his former captors, the extremist Islamic Jihad group, are believed to be set out.

But only hours after Mr McCarthy's release, a group opposed to Western hostage releases said it had kidnapped a Frenchman in Lebanon and threatened to kill him if any other Westerner was freed.

A man told two international news agencies in Beirut that the "Organisation for Defending Prisoners' and Hostages' Rights" kidnapped a Frenchman, identified variously as Jerome Leroux or Liro, in line with an earlier warning. "We announce our responsibility for the kidnapping of the French intelligence officer Lieutenant Jerome Leroux, who was using the cover of a humanitarian organisation," he said.

In Paris, a spokeswoman for Medecins du Monde said it had been told Mr Jerome Leyraud, administrator for the French charity in Beirut since May, had been kidnapped.

Mr McCarthy was earlier able to reassure the families of three other hostages – Mr Terry Waite, Mr Terry Anderson and Mr Thomas Sutherland – that they are all well and that he had seen them this week. Mr Waite, special envoy of the Archbishop of Canterbury, had been unwell with asthma but had since recovered.

Mr Pérez de Cuéllar said he would receive the letter from the Islamic Jihad in Europe on Sunday. He travels to Geneva at the weekend, but it was not immediately clear whether he would meet Mr McCarthy in Switzerland or Britain.

The secretary general said that, based on information from "my own sources", another hostage, possibly an American, would be released shortly. But he did not expect more than two of the 11 Western hostages still being held would be released at this time.

Mr Farouq al-Shara, the Syrian foreign minister, described the release as a test to see whether the west would now press Israel to free its Lebanese and Palestinian prisoners. Speaking in a BBC interview from Istanbul, he said that after the "one or two" Beirut hostages now being freed, no more would be released until Israel complied.

Israeli officials reiterated that they are ready to take part in a hostage deal, but only if seven Israeli soldiers captured

Continued on Page 18

Further details, Page 6

Wave of enthusiasm: John McCarthy celebrates freedom with his father and brother at the UK ambassador's residence

French hunt for killers of Shah's last prime minister

By George Graham in Paris and Roger Matthews in London

THE LATE Shah of Iran's last prime minister, Mr Shahpour Bakhtiar, was found stabbed to death yesterday in his home at Suresnes, outside Paris, despite the protection of a four-man police guard. An aide was also killed.

France immediately tightened border controls and pledged a full investigation into the assassinations. A police hunt was launched for three Iranian men. An attempt on Mr Bakhtiar's life may have been feared as neighbours reported that the police guard around his house had been strengthened this week.

Police said there was no sign of forced entry to the house and no evidence of a struggle. Mr Bakhtiar, who was 75, escaped a previous attempt on his life in 1980 when gunmen posing as journalists burst into his home. A policeman was killed and three others were wounded before the gunmen were overpowered.

Iranian expatriates in Paris and London were again quick to condemn Iran for the killings. Former president Abolhassan Bani-Sadr said he had recently received a list of prominent members of the Iranian opposition who were on an Iranian government hit list.

"I received information that this time it was very serious and that the mullahs in power had decided to suppress me as well," he said.

President Hashemi Rafsanjani of Iran has been attempting to present the more pragmatic face of government to the outside world in the past two years, but he faces opposition from hardline supporters of the Ayatollah Ruhollah Khomeini, the former spiritual leader who died in 1989.

Indications that Mr Rafsanjani was gaining authority came with the release from a Tehran prison in April of British businessman Mr Roger Cooper and the freeing yesterday of Mr John McCarthy.

Mr Bakhtiar, who was jailed several times under the Shah, became an even more outspoken opponent of Ayatollah Khomeini. In April his close associate and a leading dissident, Mr Abdel Rahman Boroumand, was stabbed to death outside his home in Paris. Mr Bakhtiar accused Iran of ordering the killing.

Iran's noble 'loser', Page 4

Central inspection sought for Japan finance

By Stefan Wagstyl in Tokyo

JAPAN'S Finance Ministry, which is trying to defuse criticism of its supervision of the scandal-hit securities and banking industries, is considering setting up a central inspection unit.

The department would combine the resources of the currently separate securities and banking inspection departments.

It would thus have powers to investigate both banks and securities companies.

The plan is emerging as the favoured option from a broad review of the ministry's inspection procedures after scandals in the financial markets – including brokers paying stock-loss compensation to favoured clients and dealing with gangsters, and banks arranging illegal loans for property companies.

The ministry's proposals come in the face of widespread demands from politicians and business leaders for the establishment of a Japanese version of the US Securities and Exchange Commission, an independent watchdog. Ministry officials say such an organisation is not necessary because the ministry itself is responsible both for setting rules and for making sure they are enforced.

Nevertheless, the ministry has tacitly acknowledged that officials are prone to conflicts of interest because they are simultaneously charged with promoting financial companies and regulating them.

The new central inspection department, if established, would therefore be separated by "firewalls" from the securities and banking bureaux.

An important question will be the size of the new department. The SEC in the US has 2,200 staff. The Finance Ministry's securities bureau has just 130.

The ministry is also reviewing the practice of regulating companies by issuing a combination of written and unwritten rules. The system is flexible but it can be ambiguous.

Mr Ryutaro Hashimoto, the finance minister, yesterday told parliament that new laws would be enacted if necessary in order to supplement administrative guidance to make regulations more transparent. He was speaking during a day-long examination of the government's financial reform plans.

Meanwhile, Nomura Securities, Japan's biggest broker, which has drawn intense public criticism for its role in making compensation payments, yesterday came under a different, more direct kind of attack. Two members of a right-wing organisation burst into Nomura's headquarters in Tokyo, fired a shot and briefly held a manager hostage. Police rescued the hostage unharmed after 90 minutes and arrested the gunmen.

Witnesses said the hostage-takers had demanded to see Mr Hideo Sakamaki, the Nomura president, to express the anger of private investors about compensation of corporate clients.

Lex, Page 18;
Dry season for Japanese art market, Page 17

BCCI's internal task force pointed up problem loans

By David Lascelles, Banking Editor, in London

THE INTERNAL task force set up by Bank of Credit and Commerce International early last year to look into its problems reported that the regular annual audit of the books "should have easily detected and corrected" many of the bank's questionable transactions.

The task force's report, completed last year, was one of a series of documents released yesterday in Washington during congressional hearings into BCCI. Testimony was being given by Mr Masihur Rahman, former finance director of the bank, who was himself a member of the task force.

BCCI set up the task force at the urging of its auditors, Price Waterhouse, after they uncovered a series of problem loans while preparing the 1989 accounts. The force consisted of four senior BCCI executives, and addressed its report to the bank's chief executive, Mr Swaleh Naqvi.

The problem loans centred mainly on advances granted by BCCI to enable nominees to act as fronts in its planned acquisition of First American, the US bank which BCCI could not buy itself directly for legal reasons.

The force said there was little doubt that there was evidence of "interlocking" arrangements to fund these activities by shareholders both in BCCI and in CCAH, BCCI's main US subsidiary. It expressed "considerable surprise and disappointment at such obvious flaws in basic banking procedures and documentation". But it maintained that a proper audit of the bank should have uncovered and halted the practice many years before.

The force's report also said the "most depressing part of our findings" was BCCI's relationship with the Gulf shipping group owned by the Gokal family, where the $705m (£412m) exposure was BCCI's largest. The report said the loans were poorly documented, and substantial amounts of them were "parked" in lightly controlled locations where they were less likely to be spotted by regulators.

All the loans had common patterns "which any reasonable audit process should have tracked down, identified and stopped forthwith," the task force said.

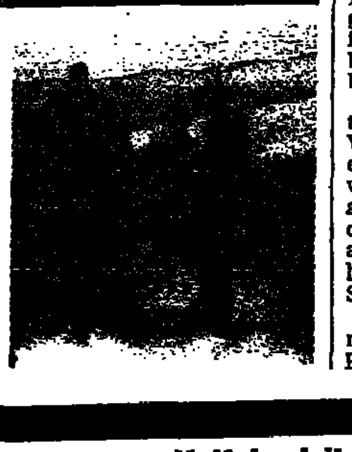
But the task force said that the problems loans were self-contained and did not spill over into the rest of the group. The report praised the quality of local audits and of safeguards within the group as being "of a high order, safeguarding the quality and health of the bank in all these locations".

The report also concluded that since the problems had been identified and the government of Abu Dhabi was then prepared to sanction a restructuring and recapitalisation of the bank with new management, the annual report should be published as soon as was possible to restore confidence. Without this, it warned, there was at the time a serious danger of a worldwide run on the bank.

Weekend FT

Tomorrow: Crumbling spires – do Oxford's best days lie in the past?

Alsace: two countries for the price of one



CONTENTS

Kaifu's visit to China seen as proof of 'special relationship'

The Japanese prime minister Toshiki Kaifu (left) will arrive in Beijing bearing gifts and a tolerance of China's human rights abuses. Japan is beckoning China back to the fold.

Page 4

MARKETS

STERLING
New York lunchtime:
$1.702
London:
$1.6985 (1.714)
DM2.9275 (2.93)
FFr9.985 (9.9675)
SFr2.5625 (2.56)
Y231.75 (232.75)
£ Index 90.9 (91.0)

GOLD
New York: Comex Dec
$363.3 (362.8)
London:
$357.25 (357.15)

N SEA OIL (Argus)
Brent Sep
$19.675 (19.42)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.7205
FFr5.853
SFr1.5065
Y136.35
London:
DM1.724 (1.71)
FFr5.8675 (5.815)
SFr1.509 (1.494)
Y136.5 (135.8)
$ Index 66.0 (65.9)
Tokyo close: Y135.45

US lunchtime rates
Fed Funds: $5\frac{11}{16}$%
3-mo Treasury Bills
5.503%
Long Bond:
$99\frac{13}{32}$
yield: 8.165%

STOCK INDICES
FT-SE 100:
2,600.6 (+3.2)
FT Ordinary:
2,024.0 (+9.1)
FT-A All-Share:
1,241.56 (+0.2%)
New York lunchtime:
DJ Ind. Av.
3,018.34 (−8.27)
S&P Comp
390.00 (−0.56)
Tokyo: Nikkei
23,482.46 (−208.56)

LONDON MONEY
3-month interbank:
$10\frac{13}{16}$% ($10\frac{7}{8}$)
Liffe long gilt future:
Sep $93\frac{15}{32}$ ($93\frac{7}{16}$)

Gloomy Gerashchenko says country is not yet responding to economic reform

Soviet bank chief threatens 'harsh measures'

By John Lloyd and Leyla Boulton in Moscow

GOSBANK, the Soviet Union's central bank, will soon impose "harsh measures" against the banks in union republics whose unrestrained lending is fuelling an explosion in credit, Mr Victor Gerashchenko, Gosbank chairman, said in an interview yesterday.

Mr Gerashchenko said he would stop supplying them with funds soon after the republics begin to sign the Union Treaty from August 20. He said that the Central Bank of the Russian Federation was the "worst culprit" among republican banks.

In a harshly realistic survey of the economy, Mr Gerashchenko said "the country is not yet responding to economic reform – the earning of money is not yet connected either with production or with productivity." The government, he said, had struggled to take unpopular measures on wages and productivity for the past two years without any result.

His comments were backed by Mr Vladimir Shcherbakov, the first deputy prime minister, who warned of hyper-inflation as price controls are lifted. In a speech to a cabinet meeting at the weekend, first reported yesterday by the official news agency Tass, Mr Shcherbakov had said that "we must take unpopular measures".

Mr Vladimir Orlov, the finance minister, had suggested suspending social projects and scrapping promised welfare programmes, together with the issue of short- and medium-term government bonds."

Mr Gerashchenko estimated that Gosbank would issue Rbs80bn of banknotes this year, instead of an estimated Rbs35bn. The income of the population had risen by 71 per cent in the first six months.

He had suggested to representatives of the IMF and the World Bank, that western countries extend further credits to the Soviet Union to allow it to buy western goods. However, the Soviet Union could honour its debt repayments, estimated at $20bn this year, "at least until December".

Mr Gerashchenko said there were a host of economic difficulties: pay was running way ahead of productivity; taxation was too low; the budget deficit was uncontrolled; the printing of money continued unabated; the internal convertibility of the rouble, planned for next January, was impossible, and government and presidential decrees and exhortations had no effect.

The position of the central bank itself was at the heart of the problem, the Gosbank chief said. Like the other institutions of waning Soviet power, it was being thrown here and there by political and populist imperatives which it could not control but for which it must often pay. It was now seeking to adapt itself to the framework of a new union within which large amounts of power are passing to the republics – a process Mr Gerashchenko finds deeply disturbing.

The central banks of the 15 republics – once mere appendages of the central state bank (itself only just becoming independent from the government) – now responded to the demands of their own governments.

The Russian central bank was the main culprit, despite the apparently close relationship between Mr Mikhail Gorbachev, the Soviet president, and Mr Boris Yeltsin, the Russian president. The Russian Bank, responding to Mr Yeltsin's will, denied all effective co-operation with Gosbank, he said.

The Russian bank had rejected a joint credit policy, agreed between the State Bank and the other union republics, under which interest rates were raised from 8 to 12 per cent and increased the commercial banks' reserve requirements to 10 per cent.

Mr Gerashchenko and the republican banks are now discussing the formation of a Central Bank Council – specified under an all-union banking law – on which representatives of the republics would sit.

Its decisions, taken by a qualified majority, would be binding on all. Mr Gerashchenko said the Baltic republics would participate.

Russia is again the odd man out: "When the youngest child is bad it is OK, but when the oldest child thinks he is grown up and misbehaves, then you must do something." Russia, with Georgia and Armenia, have not yet agreed to the formation and rules of the Central Bank Council.

The Union treaty, (Russia will be the first to sign, with Kazakhstan and Uzbekistan) offers no way out, according to Mr Gerashchenko. At the root of the problem was the pervasive vagueness in its description of how powers would be divided between the centre and the republics.

He has written to Mr Gorbachev demanding the treaty be changed to make it clear that control of the execution of monetary policy must be vested in the centre.

"Our position is very simple. If all 15 republics are using one currency, there must be only one monetary policy. When they make a decision collectively it must be applicable everywhere."

Not for the first time in the interview, Mr Gerashchenko said that "time and life will teach reality – but we are losing time."

Pressure on government to come clean about gold

By Leyla Boulton in Moscow

THE chairman of Gosbank, Mr Viktor Gerashchenko, said yesterday he was pushing the Soviet government to break its secrecy over the state's gold wealth.

Soviet reluctance to part with figures on its gold reserves remains a major obstacle to the statistical glasnost demanded by western institutions in their efforts to aid Soviet economic reforms.

He also suggested Soviet gold could provide an alternative solution for making the rouble convertible. "If. . . . we talk about the gold as collateral, what do we need assistance for? We could probably just sell the gold, or pledge gold not just with central banks, but with private institutions, and sell gold bit by bit. We are (then) talking about another kind of arrangement, but of course another type of arrangement needs more information."

But such an arrangement would be tricky because selling large quantities of gold could depress the gold price.

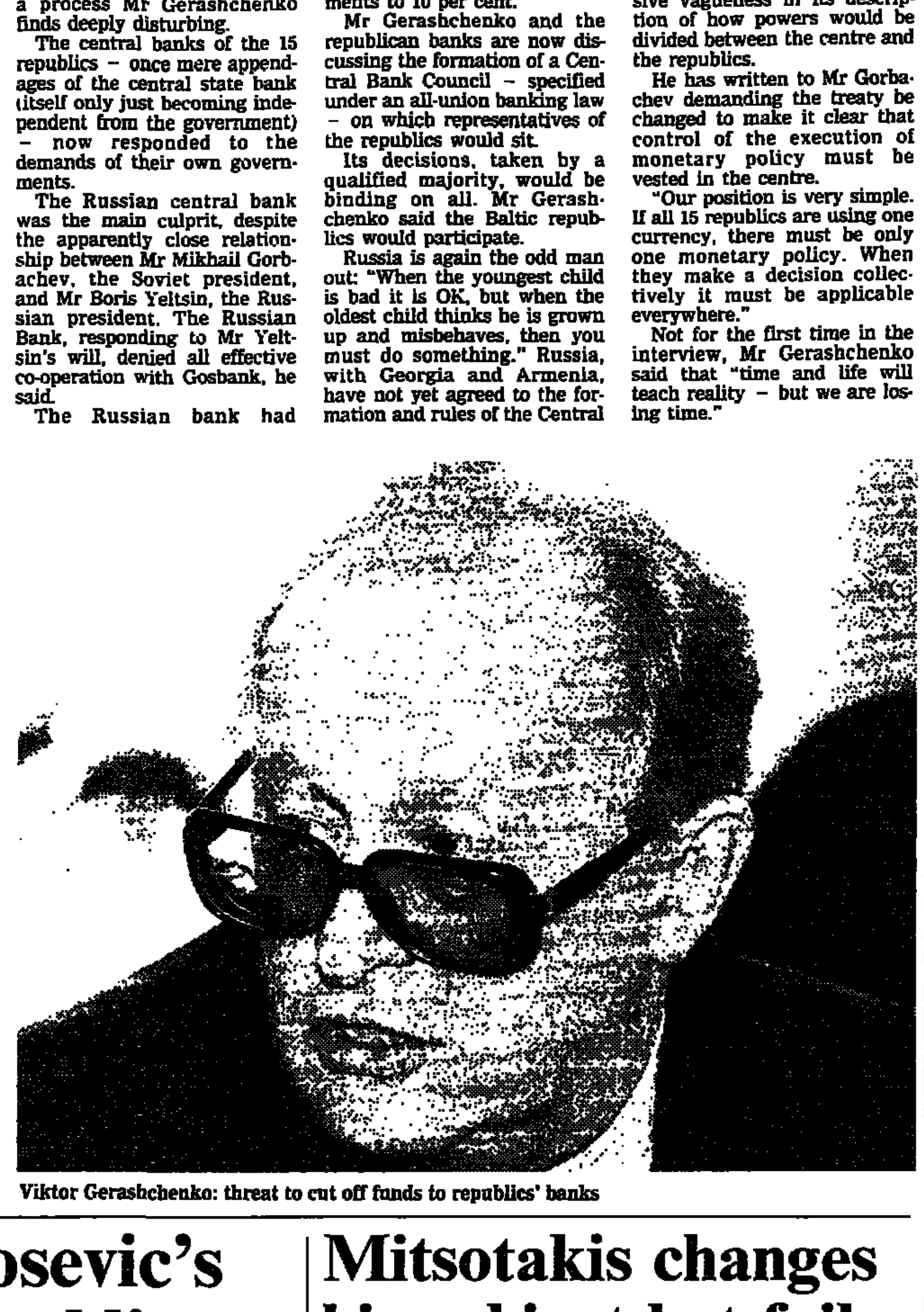
In its first balance sheet made public since 1936, Gosbank last month put its gold reserves at 374.56 tonnes. But Mr Gerashchenko believed this was only a small part of gold reserves available to the Soviet government. Western estimates put total Soviet gold reserves at 2,500-3,000 tonnes.

Mr Gerashchenko added the government would have to come up with figures because of its talks with the 15 Soviet republics on dividing up the country's foreign and internal debt, and by consequence, gold and foreign currency reserves.

Moscow's secrecy gives western governments and institutions further reason to be wary of Soviet requests for significant financial help Also, this secrecy is out of line with international practice, when the Soviet Union wants to reintegrate into the world economy. This secrecy dates from the 1930s, when the country's wealth become a state secret.

Mr Oleg Mozhaiskov, head of foreign currency and economic research, acknowledged earlier this week that while some other types of economic data were simply unavailable, the Soviet government's failure to provide gold figures was the one area still "worrying western experts".

The problem stemmed mostly from sheer "inertia," but publishing figures for the extraction, sales, and accumulated reserves of gold would help show the country's ability to pay, though this had to be done in a way not to destabilise the gold market.



Viktor Gerashchenko: threat to cut off funds to republics' banks

Croatia fighting masks Milosevic's moves on other Yugoslav republics

By Judy Dempsey

SERBIA'S president, Mr Slobodan Milosevic, is continuing to tighten his grip on the southern province of Kosovo, and is moving towards dividing up the central republic of Bosnia-Hercegovina, while international attention is focused on Croatia.

Western governments are in danger of being deflected from the attempts by Mr Milosevic and his Serbs supporters to carve out the boundaries of a greater Serbia, diplomats say.

As part of this process, the Serbian parliament last week passed "temporary measures" in several Kosovo towns designed to bring their local councils, formerly administered by Albanians, under Serbian control.

Serbian control over the province has meant that Albanians working in the professions have over past year been either arrested, or summarily sacked and replaced by loyal supporters of Mr Milosevic, while the province's parliament has been dominated by pro-Serb deputies.

The 2m ethnic Albanians, who make up more than 90 per cent of the population, have been under direct Serbian rule since late 1989. Before then, Kosovo had been autonomous but, like the northern province of Vojvodina, constitutionally linked to Serbia.

Slobodan Milosevic: tightening grip on Kosovo

As part of Mr Milosevic's determination to control the media, the Serbian parliament last week formally brought under the direct control of the state, the radio and television centres in Pristina, the Novi Sad and Belgrade, the capitals of Kosovo, Vojvodina and Serbia.

Parliament claimed they were being "prepared for transformation into stock-holding companies", a view dismissed yesterday by an official from Bosnia-Hercegovina. "Mr Milosevic is simply tightening his grip on the entire machinery of propaganda in Vojvodina and in Kosovo," an official said.

Western diplomats also believe that any increase of pressure on the ethnic Albanians could radicalise them, even into rebelling. "Even though Kosovo is a virtual police state, I expect serious instability there in the next weeks," a diplomat said.

ATA, the official Albanian news agency, said the authorities in Tirana had reinforced its troops along the borders with Kosovo.

Prospects of instability in Bosnia-Hercegovina is also increasing, according to Mr Rusmir Mahmutcehajic, the deputy prime minister. He said Mr Radovan Karadzic, head of the Serbian Democratic Party (SDS), who has direct links with Mr Milosevic, had been trying to set the three ethnic communities of Serbs, Croats, and Moslems against each other. For decades, these groups have lived in peace.

Mr Mahmutcehajic said the Serbian leader had gone about this by trying to forge an alliance between the tiny Party of Bosnian Moslems (which has only two seats in the 250-strong parliament) and the SDS. "He wants to seek 'an agreement' with only some of the political parties in Bosnia-Hercegovina to annex part of that republic with Serbia," he added.

To maintain the momentum, Mr Milosevic earlier this week engineered a takeover of the second channel of Sarajevo television, according to Mr Mahmutcehajic. This channel transmitted Yutel, the television station set up last year by Mr Ante Markovic, the federal prime minister, in an attempt to break through the bias and propaganda broadcast by the six republics. Until last week, Yutel broadcast throughout Bosnia-Hercegovina 40 minutes of news from around Yugoslavia.

"The population in Banja Luca is now receiving Belgrade television, which is pro-Milosevic, pro-Serb propaganda."

About 49 per cent of the population around Banja Luca is Serb, the rest Croat or Moslem.

Mr Mahmutcehajic said the Serbs, backed by Belgrade and Serbs in the Krajina, were taking over control of the local councils.

"In our constitution drawn up last year, we agreed that Moslems, Croats and Serbs would be equally represented in positions of power. But now we have a situation where the Serbs are now discriminating against us. What will it be like in a greater Serbia?" he said.

Moslems make up 43 per cent of the 4.3m population, Serbs, 33 per cent, and Croats 17 per cent.

Mitsotakis changes his cabinet but fails to make it smaller

By Kerin Hope in Athens

THE Greek prime minister, Mr Constantine Mitsotakis, has replaced six ministers in a government reshuffle aimed at speeding up structural reforms launched earlier this year.

However, he was forced to compromise over his wish to improve efficiency by abolishing several cabinet posts, following angry reactions from his conservative New Democracy party.

He announced a merger of the Industry and Trade ministries under Mr Andreas Andrianopoulos, a former mayor of Piraeus, but gave up a scheme to downgrade the ministries of Public Order, Tourism and Aegean Island Affairs.

Instead, he announced that only the 19 full ministers would attend cabinet meetings in future, ending a tradition by which some 25 undersecretaries were allowed to participate in the fortnightly sessions.

He said that undersecretaries would now be fully subordinate to their ministers, acknowledging that personality clashes had resulted in "delays and malfunctioning in government."

Friction between cabinet members unwilling to take responsibility for unpopular decisions is partly tp blame for the slow pace of economic reform so far this year.

Mr Mitsotakis also dropped his daughter, Mrs Dora Bakoyiannis, 37, who served as a junior minister co-ordinating government activities.

"She did well, but in the present unhealthy political climate she would suffer unfair attacks that would undermine the government," he said.

Mrs Bakoyiannis became a focus for criticism by disgruntled New Democracy officials who resented the influence of members of Mr Mitsotakis's family on day-to-day running of the government.

The ministers of economy, finance and foreign affairs kept their posts, but were joined by new undersecretaries.

Mrs Virginia Tsouderou, a former centrist, became foreign undersecretary with responsibility for Balkan affairs and Greek communities abroad.

But one family tie was respected: Mr Achilles Caramanlis, the brother of President Constantine Caramanlis, took over as environment and public works minster, in charge of efforts to reduce atmospheric pollution in Athens.

Treuhand seeks a remedy for its biggest headache

THE SALE of East Germany's massively-polluted and decaying chemical industry is the biggest single industrial headache for its owner, the Treuhand privatisation agency.

The agency, whose task it is to sell off corporate east Germany, decided recently that it would keep the loss-making companies afloat in spite of costing the Treuhand nearly DM1bn ($500m) a year. The decision was as much political as economic. Chancellor Helmut Kohl could not hope to win another election in east Germany if the densely-populated Leipzig-Halle region lost its largest employers.

But while western companies stand to get DM1 in government subsidies for every DM3 invested, they are understandably wary about putting money into the four main chemical producers.

Mr Klaus Schucht, the board member of the Treuhand who is responsible for selling the chemical industry, said that if key portions of it were not privatised within a year a new strategy would be needed.

"But frankly I do not know what it would be. We are not in a position to operate them ourselves as we do not have the managerial capacity," he admitted. The present managers were of little help as they were inexperienced in selling their products.

Because the Treuhand is unable to determine what products the companies must produce to survive, it cannot begin the immense task of converting the companies to environmentally cleaner output.

Between DM5bn and DM6bn must be invested in the companies to make them viable, the Treuhand estimates. The jobs of about 35,000 of the nearly 40,000 people still working in the chemicals belt could then be saved. In 1989, the companies employed 125,000.

Overmanning is the least of the problems facing a potential investor. The most difficult to rescue of the four producers is the photographic film-producing site at Wolfen where the industry relentlessly dumped its heavy-metal waste for decades. Industry sources said the only conceivable investor was a Japanese company which, however, was not committing itself.

The carbide-based chemicals complex at Bitterfeld has created an environmentally-blighted area which one German chemicals man said should be declared "off-limits" for the next 50 years. Industry executives believe there is little genuine interest in investing in Bitterfeld although the Treuhand is prepared to assume all the clean-up costs.

The giant Leuna chemicals complex was expanded piecemeal over the years and is intertwined with the 7m-tonne capacity Leuna refinery. The latter, however, is being sold separately in combination with the Minol petrol station company and the much smaller Zeitz refinery.

A prospective buyer of the Leuna refinery is confronted with the problem of separating it from the product pipelines. British Petroleum showed interest but its talks with the Treuhand were inconclusive, a company official said.

In order to make the refinery more attractive, the Treuhand wants a consortium to build a pipeline providing it with oil from the west. Currently, Leuna's sole source of supply is the Schwedt pipeline which could be cut off if problems developed in the Soviet Union.

The fourth company, Buna, was developed by the Nazis to produce synthetic rubber. It is regarded as the most viable, producing a range of polystyrene and PVC products which can be widely used. It is also the easiest site to clean up.

Leslie Colitt on efforts to keep east German chemical giants alive

An executive of ICI, the UK-based chemicals company, said it wanted to co-operate with Buna in the production of ethylene oxide for surfactants, an ingredient among other things of detergents. As their manufacture is highly explosive, ICI plans to close its ethylene oxide facilities in the UK and France and could concentrate output at Buna.

For some time ICI has supplied Buna with vinyl chloride monomer (VCM) for its PVC production after Buna halted its own production in highly-polluting carbide ovens. Originally, Hüls, the German chemicals company, was to have provided Buna with the technology to produce VCM. Hüls was also said to have been interested in making larger investments in Buna but backed down because of the environmental problems.

Communist bosses put in firing line

By David Goodhart and Leslie Colitt

MRS Birgit Breuel, president of the east German Treuhand agency, wrote yesterday to the supervisory boards of the former state companies still owned by the agency, asking them to get rid of former communist managers who were rejected by employees.

The Treuhand has received more than 4,000 petitions from employees of Treuhand-held companies urging it to dismiss ex-communists in powerful positions, especially personnel managers, she said.

The Treuhand itself has, since last October, already sacked 1,400 managers from its companies, 400 of whom were senior communists or members of the hated Stasi secret police.

Mrs Breuel also announced that the Treuhand would be reducing the workforce in its companies by a further 400,000-500,000 before the end of the year.

At the beginning of next year, Treuhand companies will employ about 1.2m people, down from nearly 4m one year ago. As a result of the privatisation of nearly 3,000 companies, 600,000 jobs have been transferred to the private sector.

She reported that a higher proportion than expected of east German companies were worth restructuring. "Of the 5,000 companies we have so far reviewed, the overwhelming majority can be restructured," she said. Rejecting criticism that the Treuhand places too much emphasis on privatisation and not enough on restructuring saveable companies, Mrs Breuel said the Treuhand has spent in the first half of this year about DM15bn ($8.7bn) on maintaining and investing in its companies.

A total of 632 companies have been closed, with 525 being liquidated, she added. The privatisation tempo was picking up and not, as sometimes supposed, slowing down. The total reached 3,000 at the end of July. The Treuhand will, on current reckoning, stay within its credit limit of DM25bn allowed to the end of this year.

Italian pensions paradise comes down to earth

Longer lives and fewer babies are forcing the state to curb its generosity, writes **Haig Simonian**

OUR HOLIDAY companion was still young, her recently wed husband appreciably less so. Both doted on a frisky dalmatian, and the marriage probably had more to do with money than romance, friends whispered.

Although in her late-thirties, the woman was already a pensioner. The long-serving secretary of a provincial mayor, and a civil servant since leaving school as a teenager, her marriage had qualified her for early retirement after just 15 years service under Italy's generous social security system. She might work again, possibly not; but a lifetime's pension cheque was ensured.

That is one of many examples of a system where, even when the rules are not abused, public sector workers in particular enjoy benefits which are the envy of most of their counterparts in Europe.

Stretched by a steadily declining birth rate and growing life expectancy, even Italy's generosity has reached its limits. According to new figures, the country now has the lowest birth rate in the European Community, with an average of 1.29 births per mother, while life expectancy has risen to 72.6 years for men and 79.1 years for women.

Such demographic factors underscore the government's decision this week to approve in principle a pension reform package painstakingly assembled by Mr Franco Marini, the labour minister.

Due to be revised following last-minute objections from the Socialist party, the proposals will raise the pensionable age, increase contributions and lengthen the period of employment used to calculate pension rights. At current prices, the changes should save around L18,000bn ($14,051m) by 2010, according to Mr Marini.

Critics say they do not go far enough. Last week, Italy's state accounting body warned that public sector finances would deteriorate until the year 2000 because of a linked decision to couple pension payouts to changes in general salary levels.

Mr Marini's desire to achieve consensus between political parties, unions and employers has diluted more radical ideas. And his wish not to penalise, once they have retired, those already paying pension contributions, means the changes will be imposed so gradually as barely to dent a system which is already in crisis today, critics say.

Under the Marini plan, the current pensionable age of 60 for men and 55 for women will be raised to 65 via a series of one-year increments every three years, starting in 1993. That means the final step will only take effect in 2005 for men and in 2015 for women.

Critics blame the diluted impact of the proposals as much on Mr Marini himself as on the groups he has had to appease. A former secretary general of the CISL, Italy's second biggest union federation, he was brought into Mr Giulio Andreotti's government in April. Barely a month after, pensions reform was put on his desk.

Mr Marini's trade union roots and his membership of the majority Christian Democrat party, which dominates CISL, may have made him attractive to Mr Andreotti. But, in some politicians'view, his background left him handicapped when it came to pushing through painful reforms.

In May, Mr Guido Carli, the veteran treasury minister, reportedly threatened to resign unless the government agreed to clamp down on pension payments.

Admittedly, Mr Marini's moderate tone during the negotiations has reinforced the impression that procrastination and inoffensiveness may have been bigger priorities than effective reform. However, in an issue lined with political booby traps, he must be credited with having achieved at least the minimum consensus needed to push through the most obvious changes.

Moreover, he has been aware from the start that once unions and employers came round, any proposals would have to pass an equally treacherous obstacle course in parliament, where controversial legislation can be mangled out of recognition.

Moreover, even the reforms now broadly approved by the government have raised protests. Although both the CGIL, the biggest union federation, and the CISL have given their backing, the Socialist-leaning UIL is still unhappy. Its secretary general, Mr Giorgio Benvenuto, has called for a system that would be fair to savers and contributors. Above all, he would like the increase in pensionable age to be voluntary.

UIL hostility may be one reason why the Socialists prevented the government approving the proposals last week. Mr Bettino Craxi, the party leader, elevated pensions reform into one of the key issues for discussion at Monday night's coalition summit.

Under the compromise hammered out, the government has now given the reform outline approval. But, in a sop to the Socialists, party leaders agreed to reconsider the proposals in detail in September after the holiday break.

Substantial changes seem unlikely given the amount of effort that has been expended so far. Mr Craxi's opposition may also have been partly designed to win concessions from Mr Andreotti on other issues, like the timing of a general election. However, the prospects of further dilution cannot be completely ruled out.

Optimists claim that one month's wait is a small price to pay if it will help the pensions bill pass more easily through parliament. Furthermore, the Marini plan in its present form is at least a step towards controlling Italy's spiralling state spending after two failed attempts in the past decade.

However, further delay and changes, reducing the chances of gaining parliamentary approval during the current legislature, may be fatal.

Recycling plan hits trouble

By David Goodhart in Bonn

AN ambitious German plan to radically reduce household rubbish by forcing retailers and consumer goods producers to take back all packaging material, is running into trouble with the Cartel Office in Berlin and with the EC competition authorities.

Brussels believes the plan may breach the free movement of goods and competition clauses in the Treaty of Rome.

Foreign companies are complaining that the regulations will discriminate against imports.

Even more worrying to the authorities is a company – Duales System Deutschland (DSD) – which has been set up by more than 500 packaging companies, consumer goods producers and retailers to run the recycling system.

The government has left it to private industry to organise a collection and recycling system to run parallel to the existing rubbish collection system.

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WORLD TRADE NEWS

Israel moves towards trade liberalisation

By Victor Mallet in Jerusalem

ISRAEL is finalising plans to scrap most of its non-tariff trade barriers on September 1 and replace them with higher import tariffs of between 20 and 75 per cent, decreasing annually in the coming years.

The trade liberalisation measures, enshrined in 50 pages of new customs duties for imports, are coming into effect after two years of wrangling between the free market-minded Finance Ministry and the more protectionist Ministry of Industry and Trade.

The Industry Ministry managed to secure higher initial tariffs than the Finance Ministry wanted and to win agreement on a special 100m shekel (£25.2m) fund to help Israeli companies compete under the new rules. The fund will lend money for new equipment and the retraining of workers, and the high tariffs will keep some imports out of Israel altogether in the first year or two.

Neither the European Community nor the US will be directly affected by the new measures because they have free trade agreements with Israel although eventually the increased access to Israel for cheaper goods from Asia may reduce the EC's surplus on Israeli trade.

Canada and countries in the European Free Trade Area, however, stand to suffer in the short term.

They have little to gain from the changes because their exports to Israel are not severely restricted by quotas or other non-tariff barriers at the moment, but they will face higher tariffs from September.

Most of the new tariffs will be between 20 and 40 per cent in the first year, but imports of finished clothing will be subject to duties of 75 per cent or more.

After five years (seven years for sensitive items such as textiles) rates will fall to between zero and 12 per cent.

"For the first time in 43 years, Israeli industry will be open to the free market," said Mr Zvi Koren, director general of the Industry Ministry.

Agricultural imports, however, have yet to be liberalised.

Mr Yoram Gabai, head of the state revenue administration, said the liberalisation should help Israel's balance of payments, reduce the price of imports and increase the efficiency of industry.

Money which went into the high profits for importers who had special licences to bring in restricted products such as sports shoes will now go to the state – in the early years at least – in the form of tariffs.

● Israel's trade deficit rose to $3.16bn (£1.84bn) in the first seven months of 1991, 86 per cent up on the same period in 1990, the Bureau of Statistics said. Imports were up 13.8 per cent and exports down 4.6 per cent.

US machine tool companies warn on foreign competition

By Nancy Dunne in Washington

FOREIGN machine tool makers are likely to reassert their domination of the US market, if the Bush Administration fails to renew the five-year "voluntary restraint agreements" (VRAs) limiting imports from Japan and Taiwan.

This is the conclusion of both the domestic industry, which is seeking a three-year renewal of the VRA's – due to expire on December 31 – as well as a new in-depth research paper issued by the Council on *Competitiveness*.

The Council, a private organisation based in Washington, says the US industry could use the domestic market as a basis for regaining leadership in critical technologies but it continues to be plagued by anti-competitive government policies and structural problems.

Machine tool makers were granted protection by the Reagan Administration on grounds that their survival was vital for US national security. With the end of the Cold War, that argument has lost some of its potency.

Furthermore, according to the Council paper, domestic machine tool users must have the latest equipment or they, too, will fall badly behind their *foreign competitors*.

The Association for Manufacturing Technology, which represents the machine tool makers, argues that the five years of restraints have allowed for new investment, increased competitiveness and record exports last year.

The Council paper, however, suggests that industry still suffers from the weaknesses hurting other US sectors: US export control policy, tax laws and the product liability system.

The US industry has had help from the federal government from contracts and "Buy America" procurement requirements but this pales in comparison with assistance given their European and Japanese competitors – US Council on Competitiveness report.

The industry is composed of about 600 small companies (sales average about $7m and median employment is about 60 per firm), which have difficulty keeping up with the technical needs of the large manufacturing companies they serve.

The market fluctuations *they encounter discourage* investment in R&D and the rapid diffusion of new technology, the report says.

"During the past two decades, investment in R&D has averaged less than 2% of sales."

Machine tool development is growing ever more expensive and complex. The scope and expense of the efforts precludes "all but the top few machine tool builders from undertaking the necessary effort," the report says.

"For the typical machine tool builder with annual sales *of about $7m, mounting even a* small research and development effort is prohibitive."

The US industry has had assistance from the federal government in the form of contracts and "Buy America" procurement requirements for the Pentagon.

There are also some small programmes to boost R&D but these pale in comparison to the assistance provided their European and Japanese competitors, says to the report.

For example, Tokyo, after providing between $500m and $1bn in direct domestic industry supports, has now taken a the role in the development of intelligent manufacturing systems.

It is committed to underwrit*ing $400m of the $1bn 10 year* R&D effort.

Ford to make pick-up trucks for Mazda for sale in North America

By Steven Butler in Tokyo and Kevin Done in London

FORD, the US car maker, is to manufacture a second vehicle to be sold in north America by Mazda, its Japanese affiliate.

The deal is a reversal of the normal relationship between Japanese and US and European car makers, in which the Japanese companies have taken the lead in the design, development and often manufacturing of vehicles sold under the badges of the two companies.

Under the latest deal Ford is to manufacture a compact pick-up truck for Mazda beginning in 1993. *It* already supplies Mazda with a four wheel drive leisure utility vehicle sold by the Japanese car maker in the US as the Mazda Navajo, and by the US car maker as the Ford Explorer.

Ford will develop and engineer the new pick-up, which will be manufactured at its Edison, New Jersey plant, while Mazda will provide styling and technical assistance for the Mazda version.

Ford, which holds a 25 per cent equity stake in Mazda, is the only US automotive group designing, developing and manufacturing a vehicle for a Japanese company.

The deal has implications for US-Japan trade relations, which have been strained over the imbalance in automobile and automobile parts trade.

Mazda says one result will be to decrease exports from Japan by $400 to $500m annually, and easing trade friction was plainly *one motivation* for the agreement.

Toyota plans A$420m car plant in Australia

By Kevin Done, Motor Industry Correspondent

TOYOTA, the leading Japanese car maker, is to invest around A$420m (£193m) to build a new car production plant in Australia, the first new car production facility to be built in the country for 25 years.

Construction will begin in early 1992, and production is scheduled to start in 1994.

The plant, to be located near Melbourne, will include body welding, paint shops and final assembly, and have a capacity *to produce 100,000 cars a year.*

Australia is seeking to encourage an internationally competitive automotive industry following many years of protecting the domestic industry with high import tariffs.

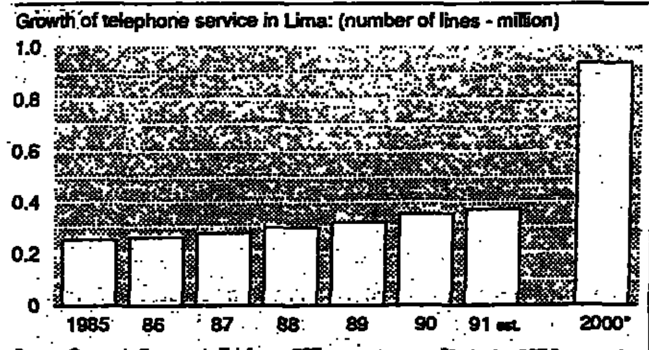
The new facility will be combined with an existing Toyota Australia engine and stamping plant at Altona, Melbourne, to provide a fully integrated production plant. Toyota now assembles Corolla and Camry models at *separate* plants in the Melbourne region, but *these will consolidated at the* new plant from 1994.

Peru telecoms makes market connection

Sally Bowen looks at a sector formerly dominated by the state

Peru: telecommunications

Growth of telephone service in Lima: (number of lines - million)



Source: Compania Peruana de Telefonos, CPT — *Projection CPT five-year plan

A FLURRY of activity is enlivening Peru's hitherto state-dominated telecommunications sector. Contracts are being signed for equipment to modernise out-dated and inadequate services, and the restrictive Telecommunications Law is due to be changed to allow joint ventures with foreign partners.

Peru has the lowest level of telephone provision in Latin America – at around 2.4 per hundred inhabitants, behind even Bolivia. Lima's 8m currently share a meagre 370,000 lines. Demand, despite the country's economic plight, far outstrips the ability of Compania Peruana de Telefonos (CPT), in which the state has a 20 per cent stake, to meet customers' requirements.

CPT's five-year plan is to instal another 400,000 conventional lines, in a $550m joint venture with foreign capital. Possible partners, who are "ready to lend in return for shares," according to Mr Carlos Carrillo Smith, CPT's president, include Alcatel of France, Telefonica de Spain, Ericsson's Brazilian subsidiary, France Telecom and AT&T.

In Peru's newly liberalised economy, the fever of competition has taken hold. CPT is to compete with (currently) 100 per cent *state-owned* Entel for a share of the lucrative long-distance telephone service out of Lima, instead of paying Entel to link in to the international service. This will involve purchase of a digital earth station costing between $10m and $15m.

Entel, meanwhile, is investing $69m this year. Set to challenge CPT for the profitable business market, Entel is currently laying fibre optic cable from central Lima to the business and *residential suburbs*, taking advantage of the existing ducts left by All America Cables when they were expropriated under the military regime 20 years ago.

Fibre optics will allow antiquated *telex equipment to be* replaced by full modern, high-speed data transmission services, video, electronic mail and so on. Clients will include banks, travel agencies, airlines and cable TV companies.

The next stage of *Entel's* modernisation operation is replacement of the 20-year-old Japanese microwave network along Peru's 2,000 km coast – from Piura in the north to Arequipa in the south – with fibre optic cable. Twenty digitalised switchboards are to be supplied by Ericsson and Siemens. Entel estimates the job, costing $40m, will be complete in 30 months, and will cover Peruvian requirements for the next 20 years.

Entel has also just signed a $5.5m contract with Siemens of Germany for a digital exchange outside Lima to increase presently overloaded long-distance telephone capacity by over 30 per cent.

The most *spectacular* boom, however, *is* in cellular telephones. With CPT unable to meet demand for traditional lines over the past few years, cell-phones broke into the Peruvian scene just over a year ago when Mr Genaro Delgado Parker, communications pioneer and former head of Panamericana Television (Peru's most popular channel) set up his own company, Telemovil.

Telemovil met its modest first year target of 5,000 sub*scribers* and *is now set for* major expansion. Mr Delgado Parker has just obtained a $10m loan, repayable over six years, from Canada's Novatel *for* 13 cells and two switchers to cover Lima and its surroundings – he is aiming for an almost immediate 30,000 subscriber market, and 90,000 within five years.

Mr Delgado Parker's activity jolted sleepy CPT into life. It has now occupied the second Lima cell-phone band and is entering the market with an aggressive publicity campaign – and a $20m investment in equipment for an initial 10,000 lines from Canada's Northern Telecom. Half of these are ready, the remainder will be operational in a matter of months. Already *16,000 sub*scribers are lined up waiting, according to CPT.

Peru's provinces are open to cell-phone expansion with a handful of entrepreneurs already getting ready for *licences*. Mr Delgado Parker, "convinced there is business to be done in Peru's remotest towns and villages," says he has offered to instal phone links in 500 rural locations within four years – or pay a $5m *fine if* he fails.

Transnational companies must await modifications to Peru's 20 year-old Telecommunications Law before they can form associations, or buy shares outright in Entel or the *CPT. President Alberto Fuji*mori, in his annual July 28 address to the nation, reaffirmed his government's commitment to privatisation in the sector, but the Peruvian state is unlikely to withdraw totally, *however. "We want to modern*ise, to keep state participation small but strong," says Mr Luis Maravi, vice-minister for telecommunications.

UN may let Iraq sell oil worth up to $1.6bn

By **Michael Littlejohns** at the United Nations, New York

THE FIVE permanent members of the UN Security Council have reached broad agreement on a resolution to permit Iraq to sell up to $1.6bn (£930m) worth of oil to raise funds for food and medicines, officials said last night.

This will be a one-time, six-month-long exception to sanctions that have been in effect since Iraq invaded Kuwait a year ago and that otherwise will remain in force.

Under the terms of the resolution worked out during prolonged consultations by the US, Britain, France, the Soviet Union and China, the oil-generated funds will go into a UN escrow account, over which President Saddam Hussein will have no control.

Some of the funds will be used by the UN for a first payment into a war reparations fund and up to $70m will be used to meet the initial cost of eliminating Iraq's nuclear, chemical and bacteriological weapons capability. Under the ceasefire terms, Iraq is obliged to bear these expenses – estimated to run eventually to hundreds of millions of dollars.

While the limit agreed by the permanent members is $1.6bn – about half the sum the Iraqis wanted to raise – the precise amount will be set only after Mr Javier Pérez de Cuéllar, the UN secretary general, has estimated the country's essential civilian needs and disclosed his plans for ensuring that supplies do not fall under the control of the Iraqi government.

The ten elected members of the council were studying the resolution yesterday, along with two other resolutions. All three texts are expected to be adopted by the middle of next week. One resolution reinforces UN efforts to identify and dispose of Iraqi arsenals and condemns President Saddam Hussein's failure to co-operate fully with the UN inspection teams.

A third resolution under consideration proposes that 30 per cent of future Iraqi oil revenues must go into a UN fund to compensate the victims of the aggression against Kuwait.

Iraqi duplicity since the ceasefire has been a factor in the council's slow pace in accepting any relaxation of the embargo, even for humanitarian needs. The US and Britain are still unconvinced the civilian population is in the dire straights that Baghdad claims.

After learning of the agreement on the oil-sales resolution, Mr Abdul Amir al-Anbari, the Iraqi delegate, insisted to reporters that his government would refuse to accept it.

Shah's last premier had wanted a constitutional monarchy

Bakhtiar: Iran's noble 'loser'

By **Our Foreign Staff**

SHAHPOUR BAKHTIAR was known to the west as the Shah's last prime minister – a man who held the office for just 30 days, but in Iran, his political career spanned decades.

He became known as Iran's Kerensky, the man who sought to channel Iran's revolutionary forces away from the fanaticism of Islamic ideology.

The Shah made him his fourth prime minister within the space of a year on January 6, 1979, at a time when the revolution had gained momentum and million-strong crowds were demonstrating against him.

It was perhaps fitting that Mr Bakhtiar should have been the Shah's last choice. As one of the main leaders of the National Front, the party founded by the nationalist prime minister, Dr Mohammad Mossadegh, the Shah had always regarded Mr Bakhtiar as one of his main political opponents.

A man of considerable integrity who often abandoned diplomatic language, Mr Bakhtiar did not know the meaning of the word compromise and it earned him enemies.

He had been imprisoned by the Shah many times since the 1950s and he was still a target for Savak, the Shah's secret police a few years before the revolution, when an open meeting he was addressing was stormed and his arm broken.

Mr Bakhtiar regarded Mossadegh as his hero and his own ideal for Iran was to see the proper implementation of the country's constitution – that of a constitutional monarchy. He therefore opposed the Shah's monopoly on power, the political repression that it entailed and, what he termed in his manifesto, the "plunder of Iran's natural resources."

His opposition to the Shah was all the more noticeable at a time when Savak was headed by one of his relatives – General Teimur Bakhtiar – and his cousin Soraya had become the Shah's wife.

A slight, fit man, he looked younger than his 76 years. He was born in 1916 to one of Iran's oldest families, the Bakhtiaris, who were the rulers (khans) of the famous nomadic tribe in western Iran. They were landowners in an area in which oil was discovered and they played a part in the power struggle against the enthronement of Reza Shah.

Reza Shah's bid to centralise power led to the eradication of a whole generation of Bakhtiari leaders. Shahpour Bakhtiar's own father was one of those murdered in his jails.

Mr Bakhtiar studied in Beirut and at the Paris Sorbonne, where he read law. While studying for his doctorate, the Second World War broke out and he joined the French resistance.

He returned to Iran after the war and joined the movement of Dr Mohammad Mossadegh, who nationalised the Anglo-Persian oil company when he became prime minister in 1951. Mr Bakhtiar was made deputy minister for labour in Mossadegh's short-lived cabinet.

The Shah, who had been forced to flee in the face of Mossadegh's popularity, returned in 1953 when a CIA and British-backed coup against Dr Mossadegh proved successful.

From here began the long path of resistance in conjunction with other members of the National Front, notably, Mr Mehdi Bazargan, who succeeded Mr Bakhtiar to become the first prime minister of the Islamic Republic. Mr Bakhtiar would write letters to the Shah courteously detailing his abuses of the constitution.

When the Shah finally turned to him on the eve of the revolution, Mr Bakhtiar stipulated a number of conditions. Political prisoners should be released, Savak should be dissolved and the Shah should leave the country.

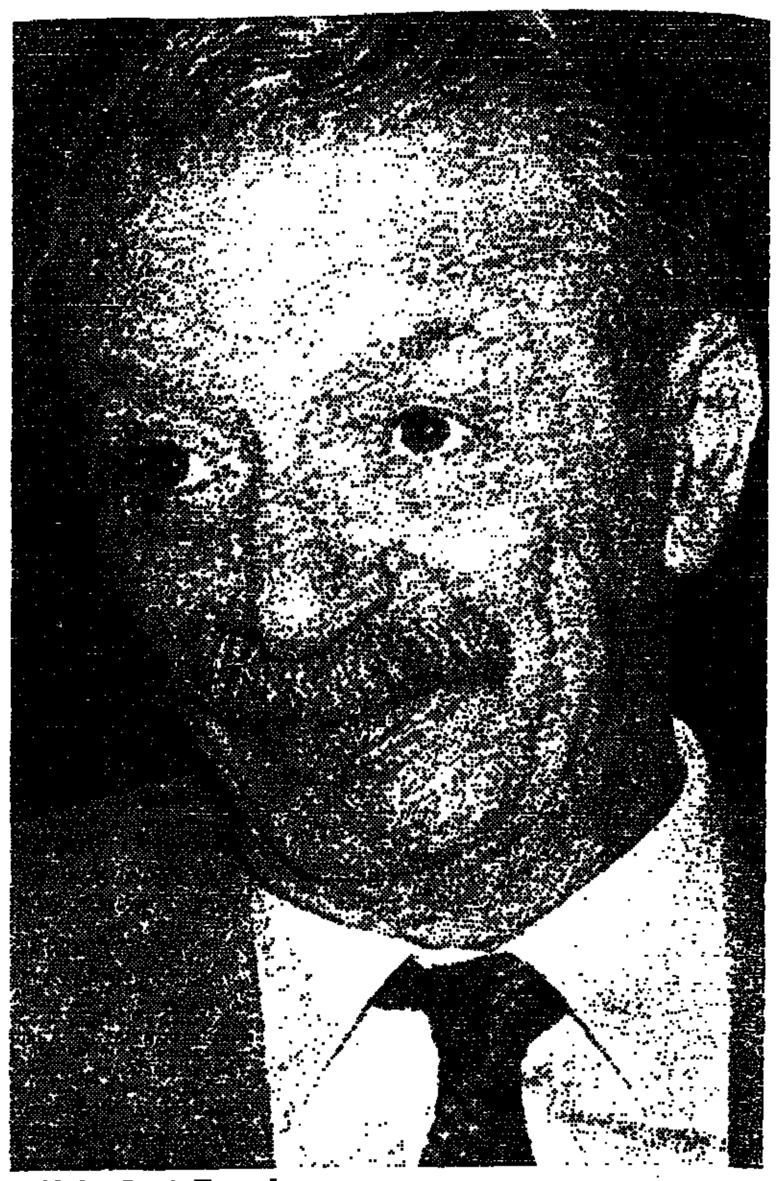
He was criticised for refusing to negotiate with Ayatollah Khomeini, but felt vindicated when liberals, communists and members of his own National Front supported Khomeini only to see the revolution swept away under their eyes and monopolised by the Islamic extremists.

Mr Bakhtiar escaped to Paris where he remained leader of the resistance movement against Ayatollah Khomeini. It was typical of the man that at a time when the monarchy seemed irrelevant, he should still have insisted on the correct implementation of Iran's lawful constitution.

In the event, the old tensions between Mr Bakhtiar and the supporters of the Shah's son, Reza, proved too great, resulting in a breakaway movement by the pro-Shah groups a few years ago to form their own political base.

Mr Bakhtiar's assassination at a time when the Iranian government has apparently decided to lean towards "moderation" is all the more ironic. Latterly, his was one of the groups that posed the least threat to the present government in Tehran.

Mr Bakhtiar was asked soon after becoming prime minister why he had decided to accept and replied, "There are moments when one must take a decision and make sacrifices. I took a decision in the interests of my country. If the country wins, that is what I want. If it loses, I am the first loser."



Bakhtiar: Iran's Kerensky

Turkey back-pedals over military zone in Iraq

By **John Murray Brown** in Ankara

TURKEY yesterday sought to dispel growing confusion over the objectives of its air and ground attack on guerrillas of the Kurdish Workers Party PKK, in northern Iraq this week.

Following reported remarks by Mr Mesut Yilmaz, the prime minister, that Turkey intended to set up a three-mile buffer zone, the foreign ministry yesterday insisted Turkey had a limited objective that in no way challenged Iraq's sovereignty in the area.

"We attach great importance to Iraq's territorial integrity. The operation is for the security of our own borders," said Mr Ferhat Ataman, the ministry spokesman. Mr Ataman also denied reports that Turkey would seek UN backing for the plan.

Mrs Imren Aykut, the cabinet spokesman, confirmed that 24 PKK bases had been attacked in a three-day sweep of rebel positions up to 10km inside northern Iraq, which officials said was continuing.

"We are fed up. We have no patience left. Everything will be done to eradicate this separatist terrorism. Our people are being murdered, tourists are being kidnapped. We will fight these rebels until the day they are totally destroyed," she said.

According to the Turkish General Staff one Turkish soldier had been killed in the operation, and an aircraft had been hit. No details of rebel casualties were available.

There has been no official reaction from Turkey's allies, although officials indicate that the US had been informed in advance.

An allied force to deter future Iraqi aggression against Iraqi Kurds is assembling in south east Turkey as part of Operation Poised Hammer.

Since the end of the Gulf war, Kurdish separatists, calling for independence of south eastern Turkey, have exploited a power vacuum in north Iraq.

Hong Kong to crack down on triads

By **Angus Foster** in Hong Kong

HONG KONG plans to introduce tough new measures to fight triads and organised crime, and will raise the maximum penalties for repeated offenders to a HK$10m (£755,857) fine and life imprisonment.

The Organised Crime Bill 1991, open to public consultation for three months, seeks to widen police powers to investigate and prosecute serious crimes such as blackmail, forgery, robbery and drug trafficking. It also contains provisions to stop banks and other financial institutions becoming involved in money laundering for organised crime groups, with maximum penalties up to 14 years' jail and a HK$5m fine.

The bill comes at a time of mounting concern about serious crime in Hong Kong and evidence of Hong Kong triads and other groups linking with Chinese and Asian gangs to commit crimes in Hong Kong. Armed robberies have risen sharply this year and yesterday one man was shot dead and another wounded in a hold-up of a security van.

The bill is likely to stir controversy because it contains one provision effectively transferring the burden of proof to the defendant in certain circumstances. Under the bill, convicted members of organised crime groups will have to prove they are no longer members if prosecuted again. The government has received legal opinion that the proposed bill does not contravene the colony's Bill of Rights, passed into law in June.

The provision is designed to overcome difficulties proving a pattern of organised crime exists when, under existing laws, each criminal act has to be prosecuted separately.

The bill is partly based on the US Racketeering, Influence and Corrupt Organisations Act and UK drug-related asset confiscation laws. Mr Alistair Asprey, secretary for security, said broad-based legislation was essential to tackle organised crime.

PAKISTANIS MAY SPURN US AID TO COMBAT DRUGS

PAKISTAN'S deteriorating relations with the US which has led it to blame the closure of the Pakistani-founded Bank of Credit and Commerce International (BCCI) on an "American-Zionist conspiracy" look set to worsen with the government considering refusing US aid for an elite anti-narcotics force, Christina Lamb writes from Islamabad.

Although US economic assistance to Pakistan was cut off last autumn because of suspicions over the country's controversial nuclear programme, aid to combat Pakistan's mounting heroin trafficking has continued. This year Pakistan is receiving $4.5m (£2.6m) for various projects apart from aid agreed in 1988 for the elite force.

However US officials believe Pakistan is not making sufficient effort in developing the force, and it only just passed a Congressional certification early this year.

The force has finally been constituted but has no legal authority to operate. The US is consequently withholding all equipment and has spent only a third of the $1.5m agreed for 1988-90.

Mr Shujat Hussain, Pakistan's interior minister, protested "the Americans think they are the policemen of the world but we will not take aid with conditions. We have our own forces already to deal with the drugs problem."

Algerian bank chiefs play down $5bn loan

By **Lara Marlowe** in Algiers

ALGERIAN BANKERS yesterday sought to temper the euphoria which accompanied an announcement earlier this week of a $5bn (£2.9bn) loan by Prudential Securities, a subsidiary of the US insurance giant, to the Algerian Banque de Developpement Local (BDL).

Dr Abderahmane Hadj-Nacer, the governor of Algeria's central bank, stressed that the agreement was preliminary. Details concerning the interest rate on the eight-year loan and the construction of a $3.5bn petrochemical complex to be financed by the loan remain to be defined. The complex will belong to the private Compagnie Generale de Petrochimie, and will produce methanol and MTBE, an additive used in low-lead fuel.

If concluded as expected this autumn, the deal will mark the first substantial investment in Algeria by a private western company.

According to Mr Hadj-Nacer, the Prudential deal is important because the confidence expressed in the Algerian economy may encourage other potential investors.

Commenting on Algeria's ability to raise new loans, Mr Hadj-Nacer said: "We are only interested in loans of eight years or longer." Algeria recently received the first $1.2bn tranche of a 10-year $7.2bn loan from the Italian government.

"Algeria is committed to reimbursing all of its debt on schedule. I ask only that investors consider us a normal country in terms of the international market. We have proved our reliability, but the attitude doesn't change. The Bank for International Settlements treats those who pay their debts in the same way as those who don't."

Most of Algeria's $25bn foreign debt is composed of high interest, short-term loans which cannot be rescheduled.

North and South Korea to join United Nations

THE Security Council approved without a vote yesterday a resolution recommending UN membership for North and South Korea, **Reuter reports from New York.**

Both will be admitted by the General Assembly at the start of its annual session in New York on September 17.

A statement read out by Mr Jose Ayala Lasso of Ecuador, the council president, said the "aspirations of the peoples and governments of those two countries have harmoniously coincided."

Alluding to the war between the South and communist North, from 1950 to 1953, he said: "We have recently seen how countries that were once enemies have found the necessary strength to put aside their differences in favour of their shared interest in promoting the well-being of their peoples and of the world in general."

He said the admission of the two Koreas would reduce tensions in the region. It would also provide the two states with "an appropriate forum in which to consider the many things they have in common and to overcome the few remaining obstacles to their unification."

● A Soviet seaman sought political asylum in South Korea yesterday, officials said. The domestic Yonhap news agency said South Korean authorities were looking into the request.

One of two members of a right-wing organisation being taken away by police yesterday after they burst into the headquarters of Nomura Securities, Japan's biggest brokerage, fired a shot and briefly held a manager hostage. Police rescued the hostage unharmed when they burst into a room where the gunmen had held him for 90 minutes. Witnesses said the gunmen had demanded to see Mr Hideo Sakamaki, the Nomura president, to express the anger of private investors about the compensation paid to corporate clients.

Tokyo beckons Beijing back to the fold

Kaifu visit will stress the maturing of a special relationship, **Robert Thomson** reports

WHEN Mr Toshiki Kaifu, Japan's prime minister, is granted an audience this weekend at the Great Hall of the People in Beijing, he will take pride in being the first head of a leading industrialised nation to be received by the Communist Party leadership since the crushing of the pro-democracy movement in June 1989.

The Japanese government has hailed Mr Kaifu's three-day visit, to be followed by a trip to Mongolia, as proof that the "special relationship" between Tokyo and Beijing has further matured, and as evidence of the success of Japan's recent attempts to represent Asia's interests when the western powers sit at the same international table.

Japanese officials this week boasted that they had prevented China's "isolation" from the international community after June 1989, and even suggested that Tokyo's influence had been responsible for the relatively mild Communist Party pronouncements of recent months and for the superficial stability in Chinese politics.

But Japanese government policy, and Mr Kaifu's visit, has best served the communist leadership's interests by allowing the party-controlled media to present the Chinese government as a respected member of the international community, and to perpetuate the distortion that western countries' outrage was based on a "misunderstanding" of the events of June 4, 1989.

Mr Kaifu, like other visitors to Beijing down through the ages, will come bearing gifts. He is likely to announce a new energy loan package, as well as a special grant to flood-damaged areas in central China, and will discuss a proposed Beijing visit by Emperor Akihito.

He is unlikely to embarrass his hosts by using the word "Tibet" or by listing specific cases of human rights abuses, but he is expected to say that the Group of Seven has expressed "concerns" on the subject.

Japan's tolerance of China's abuses should not be interpreted as merely an attempt to seek long-term economic benefits. The policy is the result of a perception in Tokyo that the past two years have been an important phase in a relationship as complex as it is long. One foreign ministry official said this week that banging the table does not make much sense in dealing with the representatives of a culture that is 5,000 years old.

The time-frames are not quite as grand as the Japanese official suggested. Mr Kaifu will be dealing with the self-proclaimed representatives of a communist culture that has prevailed since 1949 and which, at various times, has sought to obliterate the Chinese traditions of which many Japanese are in awe. Ultimately, the focus of Japanese diplomacy in the past two years has not been to mend a relationship dented in June 1989, but as part of an ongoing effort to win back the Chinese trust crushed by the Japanese military in the 1930s and 1940s.

Beijing has not forgiven Japan for the wartime brutality, and the communist elders are less willing than their younger comrades to embrace Japanese officials with warmth. One of the alleged sins committed by Hu Yaobang, the dismissed party leader whose death prompted the rise of Beijing's pro-democracy movement, was his readiness to forgive Tokyo.

Every Chinese schoolchild learns that the "war against Japanese aggression" was a moment of high heroism for the Communist Party and for some of those elderly revolutionaries who still wield enormous influence in Beijing but who will not be among the dignitaries met by Mr Kaifu.

Chinese leaders regard Japan as prime source of needed technology and funds, and as an important market. Bilateral trade has risen sharply this year, with Japan's exports to China in the first five months 36 per cent higher at $2.98bn (£1.74bn) and imports from China rising 26 per cent to $5.47bn.

By the end of the year, the two-way trade total is expected to pass $20bn for the first time, compared to last year's total of $18.18bn, down 7 per cent on 1989 - a record year in spite of the imposition of sanctions.

While regarding the increase as a result of structural changes in the Chinese economy, Tokyo does not presume that the trade volume figure is on a straight line upwards, as China's imports fluctuate wildly depending on the easing or tightening of controls on foreign exchange.

Mr Kaifu can do genuine good in Ulan Bator, the Mongolian capital, where he will applaud the remote country's democratisation and offer about Y1.5bn in grants for the construction of a ground station for satellite communications. Japan is also likely to offer technical assistance for Mongolia's Soviet-built thermal power stations and provide funds to improve the education system.

Former eastern bloc countries had accounted for about 95 per cent of Mongolia's trade volume, and new, private corporations recently established by Mongolian entrepreneurs are looking for new markets for their products, including simple electronic goods and overcoats. Mongolian stereos will struggle in the Japanese market, but there is interest in the country's cashmere and camel hair.

Toshiba, the Japanese electronics combine, is to build its first factory in China, in a move which highlights the growing interest of Japanese companies in investing in China, Stefan Wagstyl reports.

Toshiba yesterday announced plans for Y10bn (£43m) plant for making electric and electronic components near the port of Dalian, Liaoning province, in north east China. The investment will be shared between Toshiba, Showa Electric Wire and Cable (a Toshiba affiliate) and Mitsui, the trading house.

The factory is expected to employ 1,000 people when it reaches peak production by 1994. Most of the output will be exported to Japan. The rest will go to Toshiba factories in Singapore and Thailand – an example of the networks which Japanese manufacturing companies are developing in east Asia. Toshiba has built assembly plants in China before, but always for Chinese partners.

Screaming MPs force adjournment of parliament

Hindu party threat to Rao government

By **KK Sharma** in New Delhi

RELATIONS between the minority Congress government of Mr PV Narasimha Rao, India's prime minister, and the main opposition party, the Hindu revivalist Bharatiya Janata Party (BJP), were strained yesterday when BJP members forced adjournment of the Lok Sabha (lower house of parliament) without business being transacted.

Screaming BJP members created such uproar that the speaker was forced to halt proceedings four times before adjourning the house until this evening. Noisy protests by opposition MPs often lead to short adjournments, but it is rare for no business to be transacted.

The BJP members have been angered by recent remarks by Mr Madhavrao Scindia, the minister for civil aviation and tourism, in which he called them "traitors". Mr LK Advani, leader of the BJP in parliament, said his party would review its relationship with the government since the remarks came from a leading minister.

The BJP could resist attempts by Mr Rao to build a consensus on a core of issues. It could also make it difficult for normal parliamentary business to be transacted. Parliament is discussing the budget which seeks to cut expenditure and raise taxes in an attempt to reduce the fiscal deficit. Its passage is vital for negotiations with an IMF team now in New Delhi to discuss a large loan to help India tackle its balance of payments crisis.

Yesterday's demonstration by the BJP is bound to embarrass the minority government particularly as it has already given in partially to opposition demands that a subsidy on fertilisers be restored.

Australian unemployment rises to 9.8 per cent

By **Kevin Brown** in Sydney

AUSTRALIA'S seasonally adjusted rate of unemployment rose to 9.8 per cent in July from 9.3 per cent in June, the government said yesterday.

The increase was in line with treasury forecasts that unemployment will reach 10.75 per cent later this year, and will average 10.5 per cent in the financial year to June 1992.

Mr John Dawkins, the employment minister, said it was hard to tell whether the fall in demand for labour had bottomed out, but the trend suggested it was still deteriorating.

"These figures provide no reason to change the official estimate that unemployment may well considerably exceed 10 per cent by the end of the year," Mr Dawkins said.

Ministers have resisted pressure for an early cut in interest rates to stimulate the economy, arguing that signs of recovery are emerging.

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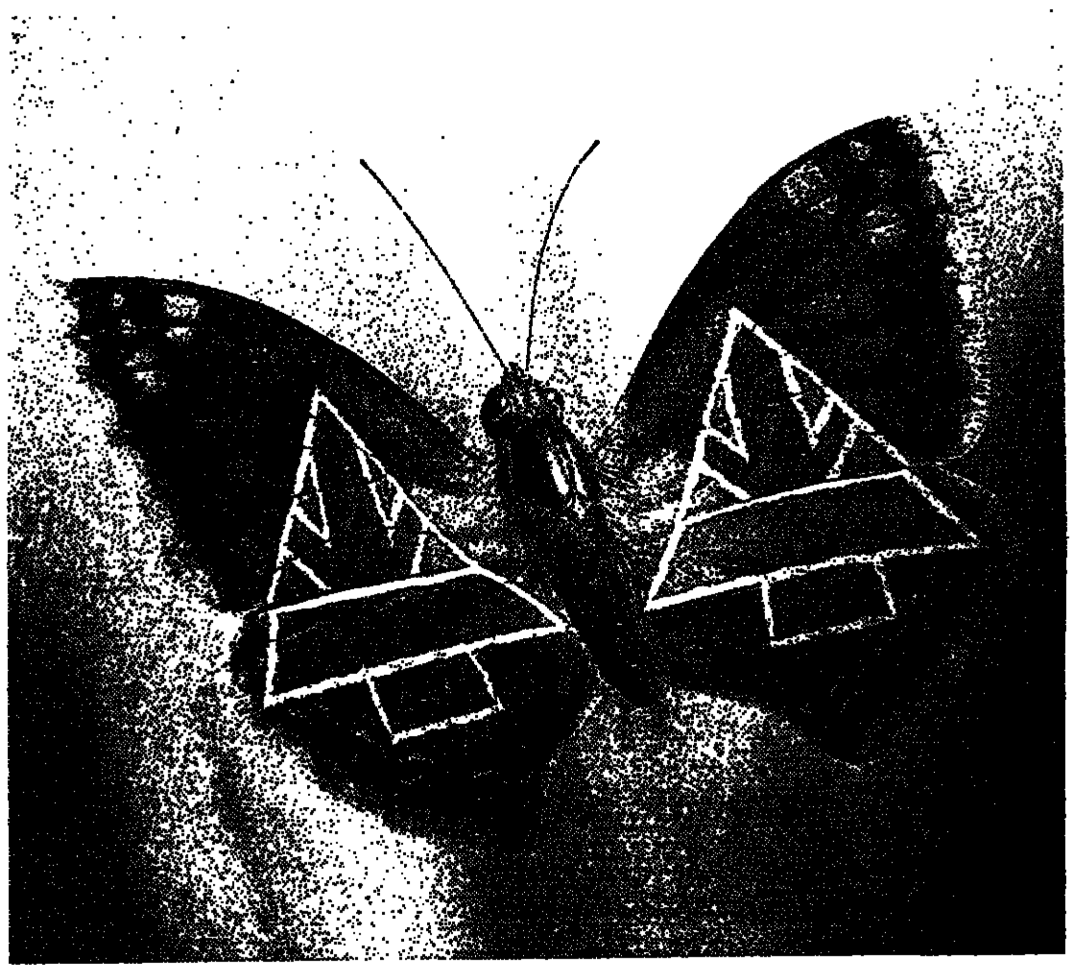

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THE RELEASE OF JOHN McCARTHY

UK 'no deals' policy may have prolonged the agony

By Robert Mauthner and Jimmy Burns in London **and William Dawkins** *in Paris*

BRITAIN, almost alone among the western nations, has observed a "no deals" policy on hostages, for which it has paid a heavy price. While the French, German and Irish governments have secured the release of hostages from Lebanon in the past few years, the refusal by London to negotiate with hostage-takers and terrorist organisations may have prolonged the agony for the British captives.

The UK government line has always been that dealing with terrorists only leads to more hostage-taking. However, the majority of the countries which have won the release of their hostages have not seen any more of their nationals captured and incarcerated. On the other hand, Mr Jack Mann, a Briton, was seized in 1989 – two years after the capture of Mr Terry Waite and three years after John McCarthy.

Britain's task has been complicated by the fact that it did not have diplomatic relations for a long time with the main countries with influence over the extremist groups in Lebanon – Iran, Syria and Libya. Mr Douglas Hurd, the foreign secretary, put the problem in a nutshell when he explained to the Commons last year the reasons for not breaking diplomatic ties with Iraq over the hanging of the British journalist Mr Farzad Bazoft. Britain would then have been without a Middle East embassy between the Khyber Pass and the Mediterranean, he said.

However, the moral case for not dealing with terrorist organisations or governments which support terrorism collapsed after that decision. If, before the Gulf war, it was possible to have diplomatic relations with President Saddam Hussein's regime, there seemed to be little reason for not having dealings with anyone else. Indeed, some Foreign Office officials have long felt that the "no deals" policy has been too rigidly applied and that the door should not have been shut so firmly on talks with Syria and Iran for so long.

It was not until September last year that Britain restored diplomatic relations with Iran, broken off in 1989 over the Salman Rushdie affair, and not until last November that relations with Syria, which played such an important role in the release of US hostages, were re-established. However, those with Libya have still not been resumed.

Britain, it must be said, had valid reasons for its hostile attitude towards Libya, which is held responsible for the shooting of policewoman Yvonne Fletcher outside the Libyan mission in London in 1984, as well as Syria, which was implicated in the plot to blow up an Israeli airliner at Heathrow in 1986.

The release of the British hostages invites comparisons with France's much-criticised methods to extract its own citizens from the clutches of the *Hizbollah extremists in Beirut.*

France which welcomed the last of its hostages home from Beirut in April 1990 has always denied striking deals with hostage-takers in Lebanon or anywhere else in the Middle East. At the same time, government officials do not conceal their pride in the French diplomatic service's negotiating skills.

The classic example given by critics of French policy is the background to the release of three French hostages, including the journalist Mr Jean-Paul Kauffmann, in the week before France's presidential election in May 1988.

The suspicion is that their release was linked to the French authorities' earlier decision to free Mr Vahid Gordji, an Iranian accused of involvement in the bloody 1986 Paris bombings, though this is officially denied.

The return of the freed Frenchmen was greeted by a great outburst of public joy, illustrating just how much the fate of the hostages matters in France. At the same time, it also showed the vulnerability of the Paris government to pressure from hostage-takers.

The lengths to which France is prepared to go to secure the release of its citizens was well illustrated by the case of Ms Jacqueline Valente, who was freed with her Belgian boyfriend and a daughter in the spring of 1990. The suspected concession was the return to Tripoli of three Libyan-owned Mirage jet fighters, held in France for servicing since the imposition in 1986 of a European Community embargo on arms sales to countries implicated in supporting terrorism.

Mr Roland Dumas, the French foreign minister, provoked raised eyebrows, if not outrage, among foreign diplomats as well as the opposition parties by thanking Colonel Muammer Gadaffi, the Libyan leader, for his "noble and humanitarian gesture" in obtaining the release of the hostages. And, in another twist, President François Mitterrand last July pardoned a convicted terrorist and member of Hizbollah, the group which had held the French hostages.

Ireland, despite its small diplomatic presence in the Middle East, can also claim considerable success in hostage-dealing. It was the efforts of its diplomats which secured the release last year of Mr Brian Keenan, the Belfast-born teacher with an Irish passport, who *had been held in captivity for* more than four years.

Dublin appears to have had little to offer Tehran in return other than diplomatic "goodwill". The "deal", if it can be described as such, was that Ireland, as the then President of the European Community, would use its good offices to bring about a thaw in the Community's relations with Iran.

One more move in ugly game with no quick resolution

For Syria and Iran, helping win freedom for even a single hostage is a cost-effective method of improving relations with the west, writes Roger Matthews

Syria and Iran *will be pleased* by the statement issued yesterday by Mr John Major, the British prime minister, expressing his gratitude for their efforts in securing the release of John McCarthy. Both governments are looking *for ways to improve relations* with the industrialised world. Participating in winning freedom for even a single hostage must be one of the most politically cost-effective methods of achieving this goal.

For President Hafez al-Assad *of Syria* and President Hashemi Rafsanjani of Iran to work together in this way is an obvious extension of the coincidence of interests which developed during the past decade. The initial bond was the mutual loathing of President Saddam Hussein of Iraq. Mr Assad, almost alone among the Arab leaders, supported Tehran throughout its eight-year war with Baghdad.

So anxious was the Syrian leader to see Mr Saddam's ambitions stifled that in the wake of the Israeli invasion of *Lebanon in 1982 he had to* concede increasing Iranian political influence in the south of that country. However, since Iran was forced to abandon the war with Iraq in 1988, so it has lost political influence in Lebanon. Iran's loss has been *Syria's gain and once again Mr* Assad is calling most of the political shots in Lebanon.

But Mr Assad does not hold the initiative elsewhere and, again like Mr Rafsanjani, has been forced to accept the uncomfortable reality of increased American military power in the region and the withdrawal of the Soviet Union from confrontational politics. For Syria this has translated into accepting President George Bush's proposals for a Middle East peace conference, including direct negotiations with an Israeli government which insists that it will not relinquish one inch of the territory it occupied in the 1967 war.

Mr Assad will be well aware of the difficulty, if not the impossibility, of winning back the Golan Heights which is the very minimum he could accept without seriously eroding his domestic stance as the principal upholder of Arab and Pal*estinian rights. In order to* offset the potential damage to this image and vulnerability to hardline accusations that he was giving in to the US and Israel, Mr Assad needs to demonstrate some regional success.

One possible avenue for him would be to achieve the release of the several hundred southern Lebanese Shias still held in Israel and in the security zone controlled by the Israeli-backed South Lebanon Army . The government in Jerusalem has indicated that it *would be prepared to* trade some or all of them in return for seven Israeli soldiers missing in Lebanon. John McCarthy's release yesterday appears intended to set the stage for further negotiations.

This also would be in President Rafsanjani's interests as he continues his domestic struggle against elements who accuse him of having betrayed Ayatollah Khomeini's Islamic revolution and try to block the pragmatists who seek better relations with the west.

In the aftermath of the recent tumultuous events in the Middle East it is easy to lose sight of such considerationswhich can help to explain why one policy goal cannot be achieved at the expense of another. Syria and Iran have their own international agenda, but against that has to be set the domestic necessities of retaining power.

The release of just one hostage, leaving 11 still incarcerated, underlines that this particularly ugly game is being played at different levels and for sometimes different stakes. As such it will remain resistant to quick solutions.

Five lost years at the threshold of career

By Jimmy Burns

JOHN McCarthy, a *London-based* editor for Worldwide Television News, was in Beirut covering for the organisation's local bureau chief when he was kidnapped on April 17 1986. He was 29.

Two days earlier, US jets had *bombed Libya with the full* support of the British government in retaliation for Colonel Muammer Gadaffi's support for international terrorism and in particular Libya's suspected involvement in a bomb attack on a West Berlin nightclub which killed one American soldier and injured 60 US citizens.

Mr McCarthy was ordered by his editor to cut short his first big foreign assignment by a fortnight, for his own security.

On the day he was kidnapped, three hostages – two British and one American – were found murdered in apparent acts of political reprisal.

Mr McCarthy was being escorted to Beirut airport by five colleagues in two cars when four gunmen intercepted him. "They didn't ask anything," Mr Qasm Dergham, one of his colleagues recounted later. "They simply went to the car and pulled John out by his hair, shouting: 'If anybody moves, we kill him.'"

Happy Friends of John McCarthy: Morrell, centre, Karen Talbot and Chris Pearson

The first firm independent evidence that Mr McCarthy was alive came only in June 1988 with the release of Mr Jean-Paul Kaufman, a French journalist held hostage in Beirut for three years.

More detailed information emerged in August last year during a press conference given by Mr Brian Keenan, the Irishman who was released after being held in Beirut for more than four years.

Mr Keenan said that Mr McCarthy's "great sense of humour succeeded very early in driving me slightly insane". He would sometimes imitate some of the guards "with that precision and zaniness that reduced their sometimes brutality to insignificance".

Despite being chained and blindfolded for long periods, Mr McCarthy managed to keep fit by doing regular press-ups in his cell, said Mr Keenan, although separation from Mr Keenan (with whom he formed a strong friendship) may have made him prey to depression.

Mr McCarthy's mother Sheila died of cancer last year, after her request that she be reunited with her son before she died was had been ignored by the kidnappers. She had broadcast an open message on behalf of her son on Lebanese television and radio in November 1988 with the hope that the kidnappers would tune in and show tolerance.

The fact that Mr McCarthy was never forgotten is due largely to the constancy of Ms Jill Morrell, his girlfriend at the time of his kidnapping, and her pressure group of friends and supporters.

In 1989, Ms Morrell began to discourage the image of the "girlfriend who waits", pointing out that when, some day, Mr McCarthy came home, they might feel "like strangers".

Western hostages in Lebanon

● **1985**

March 16: Terry Anderson, American, 43, *Middle East* Bureau Chief of the Associated Press (Islamic Jihad)

June 9: Thomas Sutherland, American, 60, dean of agriculture at the American University of Beirut (AUB) (Islamic Jihad).

Sept 11: Alberto Molinari, Italian, 71, businessman. (No claim)

● **1986**

Sept 12: Joseph James Cicippio, American, 60, deputy comptroller of AUB (Revolutionary Justice Organisation)

Oct 21: Edward Austin Tracy, American, 60, book salesman (Revolutionary Justice Organisation).

● **1987**

Jan 20: *Terry Waite, British,* 52, envoy of the Archbishop of Canterbury, disappears while on a mission to free western hostages (believed *Islamic Jihad)*

Jan 24: Jesse Turner, American, 44, academic at Beirut University College, (Islamic Jihad for the Liberation of Palestine)

Jan 24: Alann Steen, American, 52, academic at Beirut University College (Islamic Jihad for the Liberation of Palestine)

● **1989**

May 12: Jack Mann, British, 77, retired airline pilot and nightclub manager, disappeared in west Beirut. (No claim).

May 16: Heinrich Struebig, German, 50, aid worker for Asme Humanitas Relief Agency (AHRA) (No claim)

May 16: Thomas Kemptner, German, 30, aid worker For Asme Humanitas Relief Agency (AHRA) (No claim).

AMERICAN NEWS

Brazil braces itself for flood of cruzados

Collor's unfreezing of bank accounts is likely to fuel inflation, Victoria Griffiths writes

WHEN Brazil's President Fernando Collor took office in March last year, he promised to beat inflation with one "karate chop".

A key part of his economic shock programme, announced a few days after his inauguration, was the freezing of most of the money in the country's bank accounts. With little money in the system for consumers to spend, inflation dropped overnight.

The triumph, however, was short-lived. The country was soon in the middle of a deep depression, and a few months after the Collor plan went into effect, inflation began to climb again.

On August 15 the government is due to release the first instalment of the cruzados held in frozen bank accounts for the past 18 months, fuelling economists' fears that the money *supply surge will send inflation* out of control by the year end. The funds, totalling \$26.5bn (£15.4bn) will be returned in 18 monthly instalments, beginning with a \$1.7bn payout.

Over the weekend, Brazilian consumers were already celebrating the forthcoming windfall with a shopping spree. Shopping centres around São Paulo filled up quickly. "This is the best day I've had in months," said Mr Eugenio Borges, manager of a household appliance shop, on Saturday.

The government is offering above-market interest rates on cruzado accounts in the hope that Brazilians will leave the money in the bank, but many observers believe the plan won't work.

Confidence in bank accounts was sapped when the government blocked the cruzados last year. "*Most of the money* belongs to workers and middle-class families," said Governor Luiz Antonio Fleury Filho of São Paulo. "It will go into their household budgets."

Although only the first parcel of new cruzados is being released this month, Brazilians have already worked out a scheme to spend most of their frozen money. Mrs Cristina Luquet, an architect, said she and her husband had just bought a beach house with the frozen funds.

The blocked cruzados are not *the only new money coming* into the system. The government will also begin to release some \$3bn earmarked for agricultural credits this month.

Economists criticise the Collor administration for what they see as its failure to create sufficient monetary instruments to soak up the excess money supply. Two weeks ago, the central bank established a medium-term government bond, the Nota Banco Central (NBC), in the hope of attracting some of the cruzados. The first auction of the NBCs this week, however, drew an unenthusiastic response.

Collor: straining to see the future of the economy

The government has been left with few options in its fight to control inflation. In February it introduced a second economic shock plan which included widespread price freezes, and fears are growing that it will announce a further economic shock plan by the end of the year.

July's inflation was 11.3 per cent, its highest level since March, and the government responded this week with more price controls. To make matters worse, pressure is mounting for a return to wage indexation.

Only now is the administration coming to terms with government spending. After running a surplus last year, artificially generated through the confiscation of the bank accounts, economists believe the government will finish this year in the red.

The economy ministry says the government will soon propose fiscal reforms to keep the deficit under control. The plan will probably include higher taxes and new limits on the spendthrift state governments. Curbing the state governments will require a change in the constitution, which currently guarantees the states a share in federal tax receipts.

Multinational companies' biggest fear is that the government will continue to use price controls in a bid to stem inflation. "*Price controls exact an enormous toll on industry,*" said Mr Silvano Valentino, president of Fiat, Brazil.

According to Mr Fabricio Oliveira, head of the economics department at the University of Campinas, the government is suffering from its failure to make any deep structural changes in the economy over the last 18 months.

"With the lack of any real structural reform, whether in debt negotiations of government spending cuts," he said, "the necessity for a new emergency plan increases."

Investment row linked with journalist's death

By Tim Coone, *recently in Guatemala City*

WHEN Anson Ng, a British citizen of Malay origin, was found murdered in his Guatemala City *apartment just* over a week ago, official investigators provisionally classified the incident as a common crime. A single pistol shot had been fired into his head from behind.

But in a city notorious for unsolved murders, robbery does not appear to be the prime motive. Although his *desk was disordered, only his* passport and some personal documents were missing. Other valuables were left untouched.

An economics graduate of King's College, Cambridge, the 34-year-old Mr Ng was an occasional contributor to the Financial Times and other *business publications* in the UK and the US.

One of three sons of a wealthy Malaysian family that had done well in the rubber business, Mr Ng established himself in Guatemala in 1984. His lifestyle was far above most of his journalist colleagues. Mr Ng ran an office with three employees and *maintained two apartments in* the capital and another in London. He led his employees to believe that his office rent and income was paid by the Financial Times and another publication, Business International, which was not the case.

His housekeeper had prepared a meal for Mr Ng and *two guests on the evening of* Saturday, July 27. Just before she left, she let two men into his flat. When the housekeeper found Mr Ng 36 hours later, the meal was still burning in the oven.

There have been suggestions, including from US senator John Kerry, who is leading a Senate inquiry into the Bank *of Credit and Commerce International* scandal, that Mr Ng was investigating a Guatemalan link in the affair.

If he was, it was not at the request of the FT, to which he last contributed in July 1989.

Mr Mario Jacobs, a business friend of Mr Ng, doubts that he was investigating BCCI. "He *was very cautious not to enter* into contentious themes and was interested in macro-economic analyses rather than small detail." In fact, he was on the point of abandoning journalism to take up economic consultancy work with Mr Jacobs.

However, Mr Ng's death came just one month after the *murder of a close friend*, Mr Federico Rittscher. Mr Rittscher, a young Guatemalan businessman, was found strangled in the lift of the office block where he and Mr Ng had offices. Mr Rittscher, described by his widow as a good friend of Mr Ng, was a partner in a local savings institution. He *believed he was being* defrauded by his two Guatemalan partners in this venture, in which Mr Ng was an investor. The two partners are now in prison as the chief suspects in Mr Rittscher's murder.

Mr Enrique Rittscher, Federico's father, told the FT: "Anson called me after Federico's murder and said he was *very worried* and asked me how he might get his money out of the company ... I believe he went there."

Mr Ng had commented to several friends after Federico's death: "I may be next."

Thornburgh to quit as attorney general

By Peter Riddell, US Editor, in Washington

MR DICK THORNBURGH is set to resign as US attorney general in the next few days in order to seek a Senate seat for Pennsylvania in a special election this November.

He is expected to launch his campaign alongside President George Bush at a national *police convention in his home* town of Pittsburgh next Wednesday. Mr Thornburgh, a former two-term governor of Pennsylvania, has not been popular in Washington because of a secretive and high-handed style.

The election for the Pennsylvania seat arose because of the death of Republican Senator John Heinz in a aircraft crash on April 4.

Governor Robert Casey appointed a fellow Democrat, Mr Harris Wofford, as interim senator. Mr Wofford will seek *permanent election in November* in what is likely to be a closely fought contest.

The election has been complicated by a series of court challenges to the selection of both candidates by party caucuses rather than by full primaries.

An appeals court judgment on Tuesday has cleared the way for an election on November 5, but other litigation is still pending.

Mr William Barr, the deputy attorney general, will fill Mr Thornburgh's post temporarily until a permanent replacement is named and confirmed by the Senate.

He is among the possible nominees, along with Mr Samuel Skinner, transportation secretary, Mrs Carla Hills, the US trade representative, and Mrs Edith Jones, a federal appeals court judge, who was considered for the recent Supreme Court nomination.

● Republican Senator Steve Symms from Idaho does not intend to seek re-election next year. First elected in 1980, when he defeated Senator Frank Church, then chairman of the Senate foreign relations committee, the 53-year-old Mr Symms is the latest in a number of conservative Republicans to step down.

Labour secretary pledges to smash US 'glass ceiling'

By Nancy Dunne in Washington

THE "glass ceiling" – the barrier to the advancement of women and minorities up the American corporate ladder – operates at much lower management *levels than previously thought*, Mrs Lynn Martin, US labour secretary, said yesterday.

Mrs Martin, unveiling a Labour Department study of nine big US companies which confirmed the existence of such a barrier, said it was of particular concern as women and minority groups compose *an ever larger share of the US* workforce.

"It effectively cuts the pool of potential corporate leaders by eliminating over half the population," Mrs Martin said.

"It deprives our economy of new leaders, new sources of creativity, the would-be pioneers of the business world. If our endgame is to compete successfully in today's global market, then we have to unleash the full potential of the American workforce."

Mrs Martin sketched out the *department's strategy for tackling* the glass ceiling problem.

US law forbids job discrimination based on race, sex, religion, national origin or handicap. The Labour Department is required to monitor for discrimination in companies which receive federal contracts.

Mrs Martin said she wanted to move beyond those companies to encourage small and medium size businesses which do not get audited to break through "the glass ceiling."

She maintained the Administration's resistance to requiring quotas in hiring or promotion. Instead, she would use the "bully pulpit" of her office *to encourage every US corporation* to develop its own strategy to allow all employees the opportunity to fulfill their "maximum potential."

Mrs Martin designated the deparment's Woman's Bureau to act as a clearing house and resource centre to help federal contractors develop these strategies.

The Department would also continue to conduct "management reviews." The companies would be chosen at random from a broad geographic area to ensure that contractors "live up to their *obligations not to* discriminate and to recruit actively and provide training and advancement for all segments of society."

Jobs cut at more than half of US companies

By Martin Dickson in New York

MORE than half of US companies have cut jobs over *the past year – the highest* level in five years – and substantial reductions will continue over the coming 12 months, according to a survey published yesterday.

The American Management Association, a national management organisation, said a poll of its members showed that 55 per cent had cut staff in the year to June, up from 36 per cent in the preceding 12 months. Most of them blamed the move on the downturn in the US economy.

Middle managers were hardest hit. Although they constitute only 5 to 8 per cent of the workforce, they accounted for *16.2 per cent of all discharges.* Unionised workers, comprising 15 per cent of the labour pool, accounted for only 11 per cent of lost jobs.

Some 22 per cent of companies said they planned more cuts. However, the survey pointed out that the final tally was likely to be much higher.

Last year 15 per cent predicted they would reduce jobs, compared to the 55 per cent which ultimately did.

Some 65 per cent of companies in New England, the region hardest hit by recession, cut jobs in the past year.

THE BCCI SHUTDOWN

CAPCOM

SFO raids offices and former director's home

By Peter Martin

THE SERIOUS Fraud Office yesterday raided Capcom Financial Services and the north London home of Mr Syed Ziauddin Ali Akbar, a former director.

Capcom was one of the main brokers for BCCI's treasury operation, which made heavy losses in the mid 1980s. It is named in the Price Waterhouse report BCCI, which led to the Bank of England's decision to close down the bank last month.

SFO officers, armed with a search warrant, told Capcom staff their raid was part of their overall investigation into the collapse of BCCI.

"It was all very gentlemanly," a director said yesterday. "We have volunteered whatever documentation they want. We are very happy about this."

The director added: "It gives us the chance finally to lay to rest the totally untrue rumours which have appeared in the press recently."

Mr Akbar, who ran the dealing room at BCCI's treasury operations, was recently released from an 18-month prison sentence for conspiring with two BCCI officials in Miami, Florida, to launder drug money.

Mr Akbar is appealing against the verdict. The Price Waterhouse report says Mr Akbar left BCCI in about 1986 and was later paid \$32m (£18.8m) to prevent him from disclosing what the treasury operation had been.

Mr Akbar's lawyers, Barretts, said yesterday that their client had told them he was not guilty of any crime. "Wildly extravagant stories have appeared in the press about bribes and \$32m blackmail which he categorically denies," Barretts said. "He is looking forward to clearing the whole matter up."

Capcom was expelled from the Association of Futures Brokers and Dealers, the industry's self-regulatory organisation, in 1989 because the AFBD was unable to identify all the beneficial owners of its shares. Since then, it has continued in business in the spot foreign exchange market, which is unregulated.

● An earlier FT article about Capcom, published on August 7, referred to a payment of \$49.6m received by the company in the late 1980s for which documentation was not available. In fact, the \$49.6m figure is the total of a number of such payments.

WORLD ROUND-UP

Panama outlines Noriega's 'theft'

PANAMA: BCCI helped former dictator Manuel Noriega steal at least \$23m from the national treasury, the government says.

The bank managed several of Gen Noriega's accounts during the 1980s.

Panamanian officials say it moved huge sums of laundered drug money and state funds from branch to branch and bank to bank in an effort to cover the general's tracks.

Panama has filed suit against BCCI in the US District Court in Miami, seeking to recover the money it says the bank helped Gen Noriega steal.

Documents filed with the court in Miami include copies of bank statements, money transfers and credit card statements.

The Panamanian government's suit seeks damages totalling \$69m – the \$23m in public funds Noriega allegedly sent abroad through BCCI as well as punitive damages.

UK: Central bank governors and international banking supervisors will be meeting in early September to consider issues arising from the BCCI affair, **David Lascelles writes.**

Governors from the G10 countries will be holding their first post-holiday meeting in Basle over the second weekend in September. Separately, the committee of officials that coordinates banking supervision between the leading industrial countries will be meeting in Stockholm.

The central bank governors and the officials committee are expected to focus on the gaps shown up by BCCI in the supervisory process, particularly how the bank managed to evade consolidated supervision by splitting business between several jurisdictions.

LUXEMBOURG: BCCI's Luxembourg lawyers yesterday complained about the regulators' "abrupt and unjustified" action in closing down the bank last month, and indicated that BCCI's shareholders might attempt to claim damages for losses incurred as a result, **Andrew Hill writes.**

The bank was trying to overturn last month's decision by a Luxembourg court to put BCCI (SA) into controlled administration. BCCI (SA) is the Luxembourg-registered operation that controls the bank's European activities.

The case was adjourned until today to allow further technical information to be submitted, but both sides - BCCI and the Grand Duchy's banking supervisor, the Institut Monetaire Luxembourgeois (IML) - say there is no chance of the appeal being upheld.

Meanwhile, Mr Pierre Jaans, Luxembourg's chief banking regulator, said yesterday that the Grand Duchy was not planning an imminent move to liquidate what remains of BCCI.

He said such a strategy would be "premature".

PERU: Former President Mr Alan Garcia denied knowing of bribes paid to Central Bank officials by BCCI, and said allegations against him were a campaign to ruin his political future.

HONG KONG

Citibank customers withdraw deposits

By Angus Foster

HONG KONG continued to be buffeted by the effects of the BCCI affair yesterday as Citibank branches in the colony witnessed a minor run on deposits and Bank of Credit and Commerce (Hong Kong) depositors stepped up their action against the government.

Queues formed at Citibank branches throughout the day as rumours circulated that the bank had liquidity shortages. That was in spite of repeated assurances from bank and government officials that all withdrawals would be met and that the bank remained financially strong.

More than 1,000 of the bank's 400,000 customers withdrew their deposits, but total withdrawals amounted to less than 1 per cent of Citibank's Hong Kong deposit base, which is estimated at more than US\$2bn (£1.16bn).

Mr Steven Baker, country corporate officer for Hong Kong, said the bank stayed open late to show it had nothing to fear. "I expect Friday to be active but we are prepared for it," he added.

The rumours appear to have been started by local press reports of one-week-old comments by the US Democrat representative John Dingell alleging Citicorp was "technically insolvent". Citicorp has again attacked the comments as "irresponsible and untrue".

Two other small banks with Middle East connections witnessed a similar run on deposits after the government closed down BCC(HK).

There have been allegations that the rumours are being started by interested parties close to BCCI or BCC(HK). An anonymous letter circulated 10 days ago in the Chinese community advised readers to withdraw money from foreign banks.

Meanwhile, about 10 depositors in BCC(HK) launched a hunger strike demanding an official inquiry into the government's closure of the bank. One striker carried a placard, addressed to the banking commissioner, Mr David Carse, reading: "I hope you are having a nice dinner with our money, we are starving here".

The government has refused to launch an inquiry and says all relevant information has already been released.

Another group of depositors said it would contest plans by the provisional liquidator to put the bank into formal liquidation. The provisional liquidator is still trying to find a buyer for the bank, which has not been implicated in the fraud elsewhere in the group.

Rumours: Citicorp dismissed allegations that prompted a minor run in Hong Kong

UK COMPENSATION PAYMENTS

Claims sought under £50m interim scheme

By Chris Tighe

HOLDERS OF sterling accounts in UK branches of BCCI will today begin receiving letters from the bank's provisional liquidators Touche Ross inviting them to claim payments under the £50m interim compensation scheme offered by the Abu Dhabi government.

The 53,000 letters and claim forms were sent out yesterday to all the depositors whose account details appear on BCCI documents with Touche Ross.

Depositors who return their claim forms promptly should receive compensation payments, up to the interim scheme's £5,000 limit, well before the end of this month.

But the level and speed of response to the offer will provide the first firm evidence of the readiness of depositors in the UK to admit to having money in the bank.

Since BCCI's closure by the Bank of England on July 5, some members of the Asian community, in more than one area of Britain, have suggested that BCCI investments were seen in some quarters as a means of avoiding the declaration of money for income tax. "I have heard that from a lot of people; that is why this bank was liked," said Mr Davinder Ghai, president of the Hindu-Sikh Friendship Society, who lives in Newcastle upon Tyne.

Another has spoken of one deal in which £50,000 not declared to the Inland Revenue was lodged with BCCI, which then provided a loan of £100,000 at a low rate of interest.

And a Bradford businessman, Mr Nirmal Singh, said BCCI employees told him they could keep money for depositors in India without telling anybody.

This claim, and other allegations that BCCI accounts enabled depositors to evade income tax, have been firmly rejected by BCCI UK employees, who insist they operated strictly in accordance with the requirements of the UK regulatory authorities.

Last month in a letter to Mr Ghanem Faris Al-Mazroui, the chairman of the private department of Abu Dhabi's ruler Sheikh Zayed bin Sultan al-Nahyan, pleading for favourable redundancy terms, members of the joint committee representing the employees and customers of BCCI UK said the the majority of staff were "honest, hardworking, loyal and committed employees . . . caught up in this tragic saga as innocent victims through no fault of their own."

But speculation has been fuelled by the fact that many of those depositors who stand to lose much of their money, have proved very reluctant to come forward, even to contact professional advisers in confidence. Meetings of depositors held in Manchester and Bradford also failed to attract the numbers expected.

The 53,000 accounts known to Touche Ross are thought to have been held by at least 30,000 depositors.

But yesterday Mr Richard Homewood of London-based solicitors Pickering Kenyon, one of a number of firms that set up multi-lingual helplines for BCCI investors, said fewer than expected had come forward, despite extensive publicity. "Probably no more than 1,000 are in contact with solicitors," he said. "Where are these people?"

He said he believed there was a residue who would not come forward because of worries about tax, but he described this as "shortsighted", and added that the bank's closure meant confidentiality had gone.

Touche Ross was unable to say what contact there might have been, or could be, from the UK tax authorities.

The Inland Revenue said it could not discuss BCCI as it was bound by the laws of confidentiality, but added: "We always keep our eyes and ears open. If we investigate someone we do call for the documents and we have various powers to do so."

Lilley defends policy on export licenses for Iraq

By Ralph Atkins and Paul Abrahams

MILITARY goods and chemicals licensed by Britain for export to Iraq before its *invasion of Kuwait did* not breach trade embargoes and could not have been used in chemical warfare, according to Mr Peter Lilley, trade and industry secretary.

Spares for armoured vehicles, mortar locating radars and air defence training simulators were among items licensed between 1987 and August 1990 in a list sent yesterday by his department to the House of Commons' trade and industry select committee.

The detailed Department of Trade and Industry response came as a deliberate attempt *by Mr Lilley to end the political* furore over an earlier *list* sent to the committee in April which implied that British companies might have helped President Saddam Hussein to build his military strength.

Mr Lilley said it was now clear that no chemical weapon *"precursor"* had been licensed for export to Iraq, or actually exported. Nor was there, "a single export of any significance at all to a military nuclear programme".

He admitted, however, that the earlier evidence sent to the Commons committee had created confusion largely because of the customs procedure of putting many distinct products under one tariff code. More information would be sent to the committee if needed.

Labour MPs expressed concern about the apparent looseness of the restriction during the Iran/Iraq war on exports of "lethal" defence equipment. That did not prevent the export of spares or items for demonstration purposes, they said.

Mr Gordon Brown, Labour's trade and industry spokesman, doubted "the wisdom of allowing exports of plutonium, zirconium, zirconium rod and thorium oxide, however small, to the Iraq Atomic Energy Commission and Nuclear Research Centre" when research for military purposes was possible.

He said: "The lesson is that *we need the strictest controls*, the tightening of export safeguards, to prevent any dubious material being exported during any arms embargo."

Alan Harper

Lilley: 'There was no export any military significance'

Mr Lilley defended the terms of the Iraqi embargo as "*perfectly justifiable*". *It had* been more rigorous than many other countries and "if everyone had been doing the same as us, Iraq would not have been armed up to the eyeballs at it was."

Although artillery fire con*trol systems might be included* under materials defined as non-lethal defence equipment, clearly artillery ammunition did not, he said.

Officials try to defuse trade row

By Ralph Atkins and Paul Abrahams

OFFICIALS at the Department of Trade and Industry (DTI) were at work until 2am yesterday compiling the 120 pages of hurriedly-assembled evidence in response to the alarm over British exports to Iraq.

Mr Peter Lilley, trade and industry secretary, says he was surprised not to have been questioned in April when the DTI sent the House of Commons trade and industry select committee a brief outline of goods licensed for export.

In the event, the lists headed "UK exports of chemicals to Iraq 1980-90" and "products licensed for export to Iraq 1 January 1987 – 5 August 1990" were published without comment two weeks ago. Soon after a political row erupted over the export of military *hardware and chemicals* which, apparently, could have been used in chemical warfare.

"With the benefit of hindsight, if we had known it was going to be published without the chance of elucidation, it wouldn't have been submitted like that," Mr Lilley said yes*terday. But he was adamant* that "the evidence of this vindicates that the controls are being operated vigorously and effectively."

Yet some holes have been left. Officials admited to word processing errors in the draft *copies given to journalists. The* DTI later said the items had never been sent.

'With the benefit of hindsight, if we had known it [list of exports] was going to be published without the chance of elucidation, it wouldn't have been submitted like that.'

The search continues for details of exports of chemical weapon precursors prior to 1985. At the same time, the granting of a licence does not necessarily mean the export of the goods actually took place.

Computerisation of export records is underway and could be extended to include past records.

Government ministers have not escaped all suspicion on broader issues. Questions over whether the terms of the arms embargo in operation during *the Iran/Iraq war were strict* enough will continue - as will the suspicion that ministers stretched rules to the limit in order to promote exports.

On the latter point, Mr Lilley was unequivocal. "The Ministry of Defence and the Foreign *Office and, in the case of* nuclear, the department of energy, lay down criteria. Our job is just to enforce them."

Mr Lilley insisted yesterday that no chemical weapons precursors were licensed for export to Iraq, nor was any precursor exported between 1987 and August 1990.

He added that no evidence had come to light about such exports between 1985, when the UK signed the Australia Group agreement which limited exports of precursor chemicals, and 1987.

At the root of the misunderstanding about exports of *potential chemical weapons* was the misleading presentation of the evidence given to the committee. This implied generic groups of chemicals, as used in customs classifications, were in fact chemical weapon precursors.

Mr Lilley said Customs deliberately obscured statistical information in cases where too much detail could identify the companies exporting the goods and breach commercial confidentiality.

He also said there had not been any exports of any signifi*cance at all for a military* nuclear programme. The materials originally described as 8.6 tonnes of depleted uranium were useless for a military programme, he added.

According to the documentation the bulk of the consignment was tiny radioactive iso*topes for medical and* industrial use.

The isotopes, of which less than 300 grams were exported, sometimes weighed as little as a millionth of a gram, said Mr Lilley. Their quantity was exaggerated because the minimum weight recorded by HM *Customs and Excise* is "one kilogram or less."

Lloyd's may attract greater share of life market

By Richard Lapper

MEASURES that should allow Lloyd's of London to win a greater share of life insurance business were announced yesterday by the Council of Lloyd's, the insurance market's governing body.

Currently nine syndicates – which group together the wealthy individuals or Names, whose capital backs underwriting – write term insurance, covering individuals' lives for any period up to ten years.

Premium capacity for this business, which is one of the fastest growing on the market, amounts to £36m.

Under the new arrangements syndicates will have greater leeway to write both commercial life – typically insurance bought by a company for its personnel – and personal life insurance.

Typical covers written by Lloyd's syndicates include "keyman" cover which protects a company against significant financial loss or closure of business resulting from the death of key personnel, such as top salespeople, project leaders or directors.

Syndicates will be able to underwrite personal life insurance directly, rather than depending on the services of a Lloyd's broker. This brings the rules governing life insurance at Lloyd's into line with those governing commercial motor, private motor and other personal lines business.

Underwriters will also be able to write commercial life business generated by brokers that are not specifically licensed to do business at Lloyd's, provided that a Lloyd's broker guarantees the transaction.

● Lloyd's announced yesterday that Lioncover, the wholly-owned subsidiary of the Corporation of Lloyd's, showed a deficit of £31.8m in 1990, compared with £14.6m in 1989.

Lioncover was established to close the liabilities of the members of the PCW and WMD syndicates currently under the management of Syndicate Underwriting Management.

Funding of mathematics 'needs to be increased'

By Emma Tucker

THE SHAKY state of Britain's mathematical sciences has much to do with the discipline's out-dated image and the relatively poor funding it attracts, *a report states.*

The Science and Engineering Research Council (SERC) has called for an acknowledgement that mathematics requires a greater level of funding than it has ever had before if Britain is to "retain membership of the global mathematical club".

Professor Adrian Smith, chairman of the SERC's mathematics committee, says that in the short term the benefits of mathematical research are hidden: mathematics is removed from the profit-making end of research and is unable to easily attract funding.

The report highlights a "dangerously inadequate supply of mathematics PhD's" and the "dangerously small" number of mathematicians in key fields. A shortage of qualified mathematicians in the US means that Britain's already inadequate supply of PhDs is further depleted as research centres from the US head-hunt in the UK.

"We could, at least, fund 50 per cent more people to do PhD's and still not satisfy the market requirement," says Professor Smith.

He also argues that the failure of mathematics departments to attract commercial funding is cultural.

"About 50 per cent of mathematics graduates go into the financial sector," he says. "Yet it is not common for banks, or insurance companies, *to think* of funding or contributing to mathematics departments in universities."

Another argument over funding centres on the distribution of government and Research Council grants for science in higher education.

Professor Smith says the "pencil-and-paper" image of mathematics means that it is still perceived as a "cheap" science. There has been no recognition that the nature of the science has changed, so the allocation of funds does not reflect the increased need for advanced machines particularly dedicated high-performance graphics workstations.

According to the report the only academic subject groups to score lower than mathematics and statistics on the University Funding Council's "guide price" per full-time student were politics, law and social studies.

"The basic underpinning of science has to be properly funded at a national level," says Professor Smith. Even at school level, the report says, there are not enough qualified mathematics teachers which has resulted in a "crisis" in school mathematics.

Government figures, says Professor Smith, shelter the true picture by counting anyone who teaches maths as a maths teacher even if they were trained to teach physical education.

There are currently approximately 185 vacancies for maths *teachers* in Britain and, according to the Department of Education and Science, applications for teacher training specialising in maths were up by 59 per cent this year.

MOTOR INDUSTRY

Nissan chooses sales HQ

By Kevin Done, Motor Industry Correspondent

NISSAN Motor, the Japanese car maker, is to establish the headquarters for its UK car sales, marketing and distribution operations at Maple Cross, north-west of London.

Nissan, Japan's second largest car maker, is taking over the distribution of its vehicles in the UK itself following its termination of its contract with Nissan UK (NUK).

NUK, the privately-owned company controlled by Mr Octav Botnar, has bitterly contested the ending of its 21-year role as Nissan's exclusive British importer-distributor but recently failed in the Court of Appeal to stop the move.

Nissan has formed a new subsidiary, Nissan Motor (GB), to run its UK sales and distribution operations.

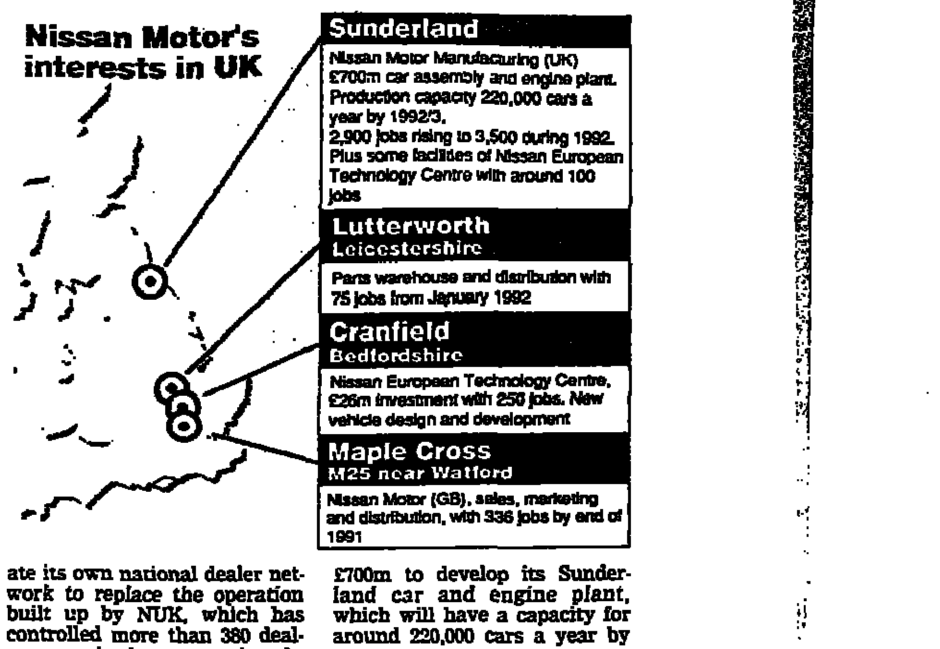
The subsidiary's headquarters will be at Maple Cross, near Watford, close to the M25, while the company is also establishing a parts warehouse operation at Lutterworth, in central England.

Nissan Motor (GB) will have an initial equity capital of £40m and will operate as a subsidiary of Nissan Europe, the group's European holding com*pany in Amsterdam.*

The company said investment in the UK distribution would "increase significantly over the coming three years."

Nissan Motor (GB) will begin trading operations in January, when the termination of the NUK contract comes into effect.

The Japanese car maker is having to move quickly to create its own national dealer network to replace the operation built up by NUK, which has controlled more than 380 dealers and has previously accounted for more than 5 per cent of UK new car sales.



Nissan Motor has built up the most extensive operations in Europe of any of the Japa*nese car makers, with a Euro*pean headquarters in Amsterdam, car manufacturing and design and development operations in the UK and commercial vehicle manufacturing in Spain.

It said yesterday that its direct workforce in the UK *would total 4,200 by the end of* the year.

It is investing more than £700m to develop its Sunderland car and engine *plant*, which will have a capacity for around 220,000 cars a year by 1992/93.

It is planning to produce 120,000 Nissan Primeras, its large family car, this year, of which more than 80 per cent will be exported.

Next year it will add a second model range with a small car to replace its existing Micra super-mini, which is currently imported from Japan. Also in the UK it is building up its first European design and development operations with a £31m investment mainly at *Cranfield, Bedfordshire but* with some facilities also at Sunderland.

Guernsey to develop insurance business

By Richard Lapper

GUERNSEY, one of Britain's Channel Islands, is expected to become a more attractive domicile for captive insurers following a change in the island's tax regime last week.

Guernsey already hosts 195 captives, the term applied to insurance subsidiaries formed mainly to insure the risks of the parent company.

Smith Kline Beecham, Marks and Spencer and three of the UK's clearing banks – Barclays, National Westminster and Midland – have captive companies located in Guernsey, which is a crown dependency.

Several dozen more companies are now expected to locate there following the decision by the island's parliament to exempt captives from paying basic rate income tax.

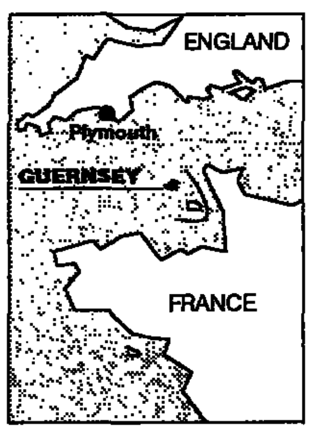
Until now captives domiciled in Guernsey had paid basic rate tax, albeit at the rate of 20p in the pound, whereas those based in competing centres such as the Isle of Man and Bermuda were tax-exempt.

The Superintendent of Insurance, Mr Stephen Butterworth, said yesterday that the change will allow the island to be competitive against other centres.

Over the past few years captives have been formed in Guernsey at the rate of about 18 per year.

The majority of captives on the island are from the UK although there are several from Scandinavia.

Tax exempt captives will pay an annual fee of £1,900 to the Guernsey Financial Services Commission. This is less than the fees charged by other captive locations such as Bermuda (£2,300) and the Isle of Man (£2,500).



Although under UK tax law captives exempt from tax in Guernsey would have to pay tax on 50 per cent of their profits at the basic UK rate, Mr Butterworth still believes the majority of Guernsey's captives will apply for exempt status.

Many UK companies are paying an effective rate much less than 35 per cent. In addition many corporations tend to perceive captives as profit centres in their own right and, in the past, have been *dissuaded* from setting up in Guernsey after discovering that they must pay income tax, irrespective of the overall tax implications for their company as a whole.

Isle of Man deposit base rises 53%

By Sue Stuart

THE ISLE of Man's deposit base rose by 53 per cent to £9bn during 1990, the annual report of the island's Financial Supervision Commission (FSC)stated yesterday. The commission attributes the large increase to high interest rates, the flight to cash and the introduction of separate taxation of spouses in the UK.

Nevertheless, the commission says: "Falling interest rates in the UK and the US and the recovery of stock markets, together with a potential reflux of some money into Tessas [Tax-Exempt Special Savings Accounts], is likely to depress deposit growth in the coming year."

Much of the commission's work over the past year has been in regulation, and its supervisory regime for banks now conforms fully with the requirements on capital adequacy of the Basle-based committee of international bank supervisors.

The island has 60 banks licensed under section 3 of the Banking Act, and the minimum for entry remains at £1m paid-up share capital. Well over half the island's licensed banks have now attained the FSC requirement of £5m.

Negotiations are in progress between the FSC and The Securities and Futures Authority, the International Stock Exchange, and other groups to secure mutual-assistance agreements to help limit fraud and avoidance of regulations.

BRITAIN IN BRIEF

Incoherent IT strategy cost millions

Lack of a coherent strategy for information technology has cost Britain's Ministry of Defence (MoD) millions of pounds in delays, modifications and improvements to large administrative computer systems, according to the London-based National Audit Office (NAO).

It has tended until recently to develop large, ambitious, inflexible projects in an uncoordinated way without adequate involvement from users and without evaluation of alternatives, whole-life costs and benefits, the NAO claims.

The audit office points out that one system, costed at £18m over *its whole life* and designed to provide the Procurement Executive Land Systems Controllerate with management information, was abandoned in 1990 after six years of development at a loss of £10m.

The MoD had calculated that it would not achieve net financial savings within its expected useful life.

Industry loses 25,000 jobs

More than 25,000 jobs were lost in the textile and clothing industries in the past year according to the latest figures from the Apparel Knitting & Textiles Alliance.

Mr Allan Nightingale, chairman of AKT, described trading conditions in both industries as "extremely difficult". He said job losses were continuing – the workforce now stands at under 440,000 – and short-time working was "widespread" in the industry.

The textile and clothing sectors have been in decline for the past three years. However their problems intensified in the first quarter when the uncertainty caused by the Gulf war aggravated the effects of the recession.

More overseas students in UK

The number of overseas students studying in Britain rose 11 per cent between 1980 and *1989 to* 78,000, according to Department of Education.

Enrolment of European Community students jumped five fold from 3,900 to 19,800 during the period, boosted partly by the expansion of EC exchange programmes.

Foreign student numbers declined in the early 1980s after the government introduced full cost tuition fees for non British nationals, but it has been rising again since 1983. The largest number of students come from Hong Kong, followed by those from Malaysia and the US. Two thirds of overseas students were studying in universities.

The Middleham Jewel

Jewel to stay in UK

A £2.5m appeal to keep the celebrated Middleham Jewel in Britain has been successful. The anonymous owner *of* the 15th century gold and sapphire pendant, linked to Richard III, has agreed to sell it. It will be kept on permanent display at the Yorkshire Museum in York.

The owner agreed to sell the pendant to the Yorkshire Museums Charitable Trust, the appeal organisers, nine days before the government had to decide whether to allow an application to export the jewel which was found in 1985 by treasure hunters.

Lewis's sold

Lewis's department store in Leicester has been sold to a management buy-out team for an undisclosed sum. Administrative receivers were *appointed at Lewis's* in January following the collapse of the department store chain.

Oil industry 'buoyant'

The North Sea oil industry will remain vibrant with substantial production and activity for at least another 25 years, according to the annual review by Grampian Region's economic development and planning department.

The review says more than 90 new fields could be in production over the next 20 years, with the industry still providing more than 50,000 jobs in the region during the 1990s.

It says its findings "reflect *substantial long-term confi*dence in the offshore oil industry. Offshore oil and gas should continue for a considerably longer period than was envisaged 15 years ago. There should be substantial production and activity in the North Sea for at least another 25 years."

Power Offer for business

Small businesses in Britain that find it hard to pay their electricity bills have been given a helping hand from Offer, the Office of Electricity Regulation.

Offer, which has a reputation for defending the small consumer, yesterday ruled that electricity suppliers should not press business customers who pay their bills late for cash deposits.

Several regional electricity companies said they accepted Offer's decision. But dealing with credit risk is one of the biggest problems the companies face, especially as recession has hit more small businesses.

Jack Adams

Support claim for union job

Mr Jack Adams, one of the contenders for the job of deputy general secretary of the TGWU general workers' *union* – the largest in Britain – has claimed that the overwhelming majority of national officers in the union supported his election to the post.

The election campaign will be strongly fought during the coming weeks, particularly now that Mr Jack Dromey, one of Mr Adams' fellow national secretaries in the union, has re-entered the fray.

Mr Dromey withdrew his candidacy last month and pledged his support for Mr Adams but then announced *just over a week ago that he* would be standing after all.

The Conservative party, which has been drawing attention to the opposition Labour party's links with the unions in recent weeks, is likely to attempt to make political capital out of any win by Mr Adams, who is a member of the British communist party.

Cash bonuses for executives

Almost 90 per cent of board directors and senior managers in large companies are now able to receive performance-related bonuses in cash, according to a survey by the Monks partnership, remuneration consultants.

The availability of cash bonuses tails off sharply in smaller companies, with only 53 per cent offering them in businesses with annual turnover under £40m.

The proportion of senior executives below board level entitled to cash bonuses has jumped from 39 per cent in 1985 to 89 per cent this year.

Council director suspended

Mr John Field, 52, director of development for Preston council, north west England, has been suspended following police inquiries into land and property deals within the borough.

A terse statement issued by Preston town clerk Mr Tony Owens said Mr Field had been suspended on full pay following confirmation from the commercial branch of Lancashire CID that he was one of a number of council officers, councillors and property developers *who were being investigated.*

Mr Field said he was "bemused" by his suspension and denied being involved in any irregularities.

"At first I thought the whole thing was a joke. I have had nothing to do with commercial land development until three years ago. There is no question of me resigning," he said.

EC should be election issue says Thatcher

By Peter Riddell, US Editor in Washington

MRS MARGARET Thatcher, *the former prime minister*, yesterday warned her successor that Britain's relations with the European Community should be a central issue for the next general election and that she would speak out on the "major points of principle" involved.

Her remarks, made in an American television interview during a visit to the US, suggest that Mrs Thatcher puts campaigning on the European issue ahead of unequivocal support for Prime Minister John Major.

Mrs Thatcher said she would be reluctant to criticise the policies of her successor unless "there were really major points of principle involved. The really big points that are going to come up over the coming months are what is the future of the European Community and whether the enormous powers of our parliament, in representing truly the views of the British electorate, are going to be curtailed. Our parliament is 700 years old and if its powers are curtailed, then it is truly curtailing the powers of the British people."

Saying that "really great issues" were involved, Mrs Thatcher said "all of us must speak out about them. Particularly as an election is coming up, then the question every candidate has to be asked is are you trying to get into parliament in order to diminish its powers and capability of representing the British people?

Thatcher: campaigning

"The British people know that the laws are passed by their representatives and if they're no longer going to be, but by the EC, even though our own people opposed those laws, then that is very serious indeed."

Mrs Thatcher said she supported Mr Major and most hoped that he would "continue the policies that have won us three elections before".

During her interview, Mrs Thatcher argued that there was "a very special relationship" between Britain and the US. She said there was not only a common language but also a common heritage going back long before the American Revolution in 1776.

Her visit is only the latest in a frequent series of trips to the US since she ceased being prime minister last November.

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In the first instance, interested applicants should write to Renny Hayes BA, ACA or Steven Vass BA, ACA at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG, quoting reference number SFA.

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LEGAL NOTICES

THIS IS A CORRECTION TO THE NOTICE THAT APPEARED ON JULY 26TH.

NO. 007322 of 1991

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR REGISTRAR PEAM
IN THE MATTER of LEICA PUBLIC LIMITED COMPANY
and
IN THE MATTER OF THE COMPANIES ACT, 1985

NOTICE IS HEREBY GIVEN that by an Order dated the 17th July 1991 made in the above matters the Court has directed a Meeting to be convened of the holders of the Ordinary Shares of 5p each (other than the Connected Shares and the Excluded Shares, each as defined in the Scheme of Arrangement hereinafter mentioned) of the above-named Leica Public Limited Company (hereinafter called "the Company") for the purpose of considering and if thought fit approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the holders of its said Shares (other than aforesaid) and that such Meeting will be held at 18 Coleman Street, London EC2 on Friday the 30th August 1991 at 10.00 o'clock in the fore-noon at which place and time all such Shareholders are requested to attend.

Any person entitled to attend the said Meeting can obtain copies of the said Scheme of Arrangement forms of Proxy and copies of the Statement required to be furnished pursuant to Section 426 of the above-mentioned Act at the offices of the Registrars of the Company Regis Registrars Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1BR and at the offices of the undermentioned Solicitors at the address mentioned below during usual business hours on any day (other than a Saturday or a Sunday) prior to the day appointed for the said Meeting.

The said Shareholders may vote in person at the said Meeting or they may appoint another person whether a Member of the Company or not as their Proxy to attend and vote in their stead.

It is requested that forms appointing Proxies be lodged with the Registrars of the Copany Regis Registrars Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1BR not less than 48 hours before the time appointed for the said Meeting but if forms are not so lodged they may be handed to the Chairman at the Meeting.

In the case of joint holders the vote of the senior who tenders a vote whether in person or by Proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members.

By the Said Order the Court has appointed The Rt. Hon. Sir Geoffrey E. Pattie MP, or failing him, Raghuvir Bhawanishankar Kalbag, to act as Chairman of the said Meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

DATED this 25th day of July 1991

SLAUGHTER AND MAY (ref: JMDE)
of 35 Basinghall Street,
London EC2V 5DB Solicitors for the Company

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NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at Cork Gully, 9 Greyfriars Road, Reading, RG1 1JG, at 10.30 am on Monday 19 August 1991 for the purpose of having laid before it a copy of the report by the Administrative Receivers under Section 48 of the said Act. The Meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are entitled to vote if:

(a) they have delivered to us at the above address, no later than 12 noon on Friday 16 August 1991, written details of the debts they claim to be due from the company and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his behalf.

Date: 31 July 1991

N J Vooght
Joint Administrative Receiver

DOCTUS TECHNOLOGY SERVICES LIMITED

Registered number: 2422449
Former company name(s) (a): Deltastore Limited
Trading name(s)(b): Deltastore Limited
Doctus Technology Services Limited
Nature of business: Computer Services
Trade classification (c): 36
Date of appointment of administrative receiver(s): 29 July 1991
Name of person appointing the administrative receiver(s): Royal Bank of Scotland Plc
Christopher John Barlow, John Frederick Powell and John David Harrison
Joint Administrative Receivers
(office holder no(s) C J Barlow 552, J F Powell 2695, J D Harrison 2165
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COMPANY NOTICES

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Bank of New Zealand,
Group Treasury, BNZ Centre,
1 Willis Street, Wellington,
New Zealand.

Bank of New Zealand,
Financial Services Division,
BNZ House, 91 Gresham Street,
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8th August, 1991.

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N.B. A further vacancy exists for a trainee (Registered Representative, aged 20-22 with one to two years' broking experience).

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Reporting directly to the the Managing Director, the major emphasis will be on the sales of Fixed Income products, in particular Eurobonds. You will be encouraged to identify opportunities and act as lead manager on Korean syndications.

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Please send full personal and career details, including daytime telephone number and current remuneration level, in confidence to Torrance Smith, Coopers & Lybrand Deloitte Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting the relevant reference number on both envelope and letter.

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The position will be to manage experienced analysts and some trainees, to allocate workflow, and ensure the responsibility of the quality of work emanating from the department.

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It is likely that the candidate will be a Registered Representative or of similar status.

Please write with full CV to:

Box A1595
Financial Times, One Southwark Bridge,
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FT LAW REPORTS

Financial services claim goes ahead

SECURITIES AND INVESTMENTS BOARD v PANTELL SA AND OTHERS
Sir Nicolas Browne-Wilkinson (*Vice-Chancellor*): Chancery Division: July 29 1991

A SOLICITOR who is knowingly concerned in his client's unlawful financial services transactions, can be ordered by the court to repay sums paid to the client by innocent investors, so as to restore them to the position they were in before the transactions were entered into.

Sir Nicolas Browne-Wilkinson V-C so held when refusing an application by solicitors as third, fourth and fifth defendants, to strike out the claim against them in an action by the Securities and Investments Board (Sib) against Pantell SA and others.

THE VICE-CHANCELLOR said that in its statement of claim the Sib alleged that Pantell, not being an authorised person, carried on investment business in the UK contrary to section 3 of the Financial Services Act 1986, made misleading statements contrary to section 47, made unsolicited calls contrary to section 56, and issued investment advertisements in the UK contrary to section 57.

It alleged that Pantell, from outside the UK, was dishonestly pushing and selling shares in a US company to English investors, who bought 1,434,500 valueless shares at a total of over $2m.

The claim was amended to join the solicitors as defendants, alleging that between July 1988 and February 1989 they acted for Pantell and its moving light, a Dr Schubert, and were knowingly concerned in Pantell's breaches of sections 3, 47, 56 and 57.

The amended statement claimed a declaration that the solicitors had, since April 29 1988, been "knowingly concerned" in the Pantell's contraventions of section 3, 47 and 57; an order under section 6(2) of the Act requiring them to pay sums to the Sib or into court for the purpose of restoring persons who entered into transactions with Pantell contrary to section 3 to the position in which they were before the transactions were entered into; and an order under section 61(1) that they pay sums to the Sib or into court, or alternatively take such other steps as the court might direct to remedy the contraventions of sections 47 and 57.

The solicitors denied that they were knowingly concerned in Pantell's contraventions.

They applied to strike out the claims on the ground that, even assuming the allegations were correct, on the true construction of sections 6(2) and 61(1) the Sib was not entitled to the relief claimed against them.

The Act gave individual investors a private right of action to recover money or property transferred under an investment agreement made in consequence of breaches of sections 3, 56 and 57, and a right of action to recover compensation for any loss suffered by the investor.

But there were three points to be noted.

First, the statutory rights of action of the individual investor lay only against the person who contravened the statutory prohibition: the individual investor was given no cause of action against third parties knowingly concerned in such contravention.

Second, the individual investor had no right to claim an account of profits made by the contravener.

Third, the individual investor was given no right of action for contravention of section 47.

Sections 6 and 61 conferred on the secretary of state statutory rights of action, enforcement of which he had delegated to the Sib.

Section 6 conferred rights of action arising from contraventions of section 3. It provided by subsection (2) that if the court was satisfied a person had entered into a transaction in contravention of section 3, it might order him "and any other person who appears to the court to have been knowingly concerned in the contravention" to take steps for "restoring the parties to the position in which they were before the transaction was entered into".

Section 61 conferred on the secretary of state similar rights in relation to other prohibitions. Subsection (1) provided that if the court was satisfied that there was a reasonable likelihood that any person would contravene or had contravened sections 47, 56, 57 or 59, it might make an order requiring him "and any other person who appears to the court to have been knowingly concerned in the contravention to take such steps as the court may direct to remedy it".

The only powers conferred on the court to make orders against third parties were contained in sections 6(2) and 61(1).

They both empowered it to make orders to remedy the contravention not only against the person contravening but also against "any other person who appears to the court to have been knowingly concerned in the contravention".

The relief claimed against the solicitors was under those sections. The court's power to order an account of profits or compensation for loss suffered by the investor was only exercisable against the contravener himself.

Mr Sumption for the solicitors submitted that the relief claimed against the solicitors under sections 6(2) and 61(1), could not succeed, since it was a claim for compensation for loss and there was no jurisdiction to order compensation for loss against persons "knowingly concerned".

Mr Oliver accepted there was no power to order compensation for loss under section 6(2) or section 61(1). He submitted that those subsections provided for restitution, under which the contravener could be ordered to restore what he had received to each investor who had entered into a transaction as a result of the contravention of the statutory prohibitions.

He said the sections made it clear that an order for repayment could also be made against a person "knowingly concerned".

Therefore, submitted Mr Oliver, the restitution claim against the solicitors was maintainable.

Sections 6(2) and 61(1) provided for a statutory rescission of unlawful transactions.

They authorised the court to order steps to be taken "for restoring the parties to the position they were in before the transaction was entered into" (section 6(2)), or "to remedy" the contravention (section 61(1)).

Those were the classic features of a rescission in equity – the putting back of parties into the position they were formerly in.

There was no reason why, as against the contravener himself, the court should not order repayment of sums paid to him under the unlawful transaction, whether or not the actual sums paid were capable of being identified as a separate fund of money.

There was nothing in the words of the sections which justified such a restriction nor was it a prerequisite of an order for repayment of the price by the vendor when a contract was rescinded in equity.

If, as was clear, the court could order the contravener to repay the price out of his own pocket, the section appeared to provide that the same order could be made against the third party "knowingly concerned".

The words of the section were general. The court could make the same order either against the contravener or against the third party "knowingly concerned".

Such a result accorded with common sense.

The most obvious example of a person "knowingly concerned" in a contravention would be a person who was the moving light behind a company which carried on investment business in an unlawful manner.

If, as was often the case, the company was not worth powder and shot, it was obviously just to enable the court, as part of the statutory remedy of quasi-rescission, to order the individual who was running that company in an unlawful manner to recoup those who had paid money to the company under an unlawful transaction.

There was no explanation why the power to make orders against third parties knowingly concerned was not extended to claims for compensation for loss or to claims made by investors individually. But that factor did not provide any basis for giving the words an artificially limited meaning.

Under sections 6(2) and 61(1) the court had jurisdiction to order the solicitors (if they had been knowingly concerned in a relevant contravention by Pantell) to repay investors sums paid to Pantell.

For the solicitors: Jonathan Sumption and Leslie Kosmin (Barlow Lyde & Gilbert [who are not the defendant solicitors]).

For the Sib: David Oliver QC and Thomas Lowe (Booth & Blackwell).

Rachel Davies
Barrister

CONTRACTS & TENDERS

INVITATION FOR BIDS

Loan No.	:----
File No.	: DAPT-IBRD/01
Order No	: 91-DAPT/415
Date of Issuance	: 19.8.1991
Bid Submission Date	: 2.10.1991

1. The TURKISH ELECTRICITY AUTHORITY, hereinafter referred to as TEK, has applied for a loan from the International Bank for Reconstruction and Development, hereinafter referred to as the WORLD BANK in various currencies equivalent to USD 60,000,000.- towards the cost of TEK Restrucuring Project and intends to apply a portion of the proceeds of this *loan to eligible payments under the Contract for which this Invitation For Bids* is issued. Payment by the World Bank will be made only at the request of TEK and upon approval by the World Bank and will be subject in all respects to the terms and conditions of the loan agreement. No party other than TEK shall derive any rights from the loan agreement or have any claim to the loan proceeds.

2. The TURKISH ELECTRICITY AUTHORITY now invites sealed bids from eligible Bidders for supply of distribution power transformers for medium voltage systems.

3. A prerequisite for eligibility of local and foreign tenderers is as follows.
   a) Those bidders who have been regularly engaged for a continuous period of five years, prior to the date of bid submission, in the design and manufacture of specified or similar equipment.
   b) Those bidders who have designed and manufacturered at least 150 of which at least 75km are in successful operation for a minimum period of three (3) years.
   c) Tenderers shall submit certified documents proving above prerequisite together with their bids.
   d) In case the manufactured goods are produced under licence the references of the licenser shall not be taken into account, in evaluating the eligibility of the bidder.
   e) TEK may decide to waive the qualification conditions listed above for certain bidders, in case the proposed equipment has previously been furnished to TEK with a satisfactory operational record.

4. The Bidders are free to quote on single or several items of the Bill of Quantities, as well as the whole of them. Items shall be evaluated separately. Those Bidders who offer to supply more than one item shall assure the validity of their delivery schedule in the case that they are awarded for several items.

5. Interested eligible Bidders may obtain further information from and inspect the Bidding Documents at the office of:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Commercial Affairs Department
   Inönü Bulvari No: 27 Kat: 1
   Bahçelievler Son Durak
   ANKARA/TURKEY

   Telex: 42245 tek tr
   Telefax: (4) 2138870

6. A complete set of Bidding Documents may be purchased by any interested eligible Bidder on the submission of a written application to the above office and upon payment of non-refundable fee of 350 - USD or 1,500.000 TRL at the following address:

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Department of Finance
   Inönü. Bulvari No: 27 Kat:4
   Bahçelievler Son Durak
   ANKARA/TURKEY

   Those Bids submitted by the Bidders who did not purchase the Bidding Documents shall be rejected.

7. All bids must be accompanied by a bid security in an acceptable form of not less than 3% (three percent) of the bid price and must be delivered to the above office on or before 12.00 hours on 2.10.1991

8. Bids will be opened in the presence of those Bidders representatives who choose to attend at 14.00 hours on 2.10.1991 at the office;

   TURKISH ELECTRICITY AUTHORITY
   General Management
   Procurement Commission
   Inönü, Bulvari No: 27 Ground Floor Block A
   Bahçelievler Son Durak
   ANKARA/TURKEY

MANAGEMENT

Martin Dickson investigates the controversy over soaring executive pay in the US

No soft options for Oliver Twist

Top of the US executive pay league: (left to right) ITT's Rand Araskog, Steven Ross of Time Warner, Stephen Wolf of United Airlines and John Sculley of Apple Computer

A loud warning shot was fired above America's boardrooms recently by one of the nation's most powerful investors. The message in essence was: cut the greed, and bring some sanity back to your pay packages.

It came from California Public Employees Retirement System, better known as Calpers, which is the largest public pension fund in the US. It is also one of the leading members of the fast-growing corporate governance movement, which consists mainly of institutional investors and wants to make companies more responsive to shareholders' wishes.

At the last annual meeting of ITT, Calpers voted against the re-election of the conglomerate's directors in protest at the large pay and benefits package enjoyed in 1990 by Rand Araskog, its chairman. He received between $10m (£6.2m) and $11.5m – which has been variously computed as an annual rise of between 23 and 103 per cent. Calpers said he did not deserve this rise because of the company's mediocre financial results.

While boardroom pay is being subjected to much more intense scrutiny and criticism in both the US and Britain, the sums involved in the US make British managers look little greedier than Oliver Twist. In 1990 Steven Ross, the joint chief executive of Time Warner, the media group, made between $39m and $78m (depending on how a special one-time gain is calculated). Stephen Wolf, chairman of United Airlines, made more than $18m, and John Sculley of Apple Computer $16.7m.

These figures are hardly representative of the US as a whole, since they consist mostly of one-off gains on share options. The average compensation last year of the American chief executive was $1.4m (including salaries, bonuses and special share deals), according to a study of more than 350 companies by Towers Perrin, a pay consultancy.

Nevertheless, the huge, headline-grabbing sums earned by the likes of Messrs Wolf and Ross have provoked management consultants, Democratic politicians, union leaders and institutional shareholders to shout that executive pay has spiralled out of control and ways must be found to improve the system.

This chorus of disapproval has grown louder this year. Recession, and a revulsion against Wall Street's "greed is good" philosophy of the 1980s, have much to do with it; colossal executive pay cheques look particularly insensitive when rank-and-file workers are losing their jobs. Increasing executive pay when profits are falling also raises awkward questions about the supposed link between rewards and performance which are hidden in more prosperous times. Growing militancy on the part of institutional investors such as Calpers is also having a powerful effect.

The debate has three interlocking themes:

- Are US executives overpaid?
- Is the compensation system structured to get the best performance out of managers?
- If not, what should be done about it?

The gap between chief executives' earnings and those of most other members of US society – including junior management – has widened markedly over the past decade. A study by Graef Crystal, a leading authority on executive pay and a business professor at the University of California, Berkeley, found that in 1973-75 the chief executives of 10 randomly selected US companies had cash earnings 29 times those of the average US worker. By 1987-89 this had grown to 53 times.

Even these figures understate the disparity, because more companies are relying on so-called long-term incentives – like share options – as part of executives' pay packages. Taking these into account, Crystal found that chief executives earned 34 times as much as the average worker in the mid-1970s, but 109 times as much in the late 1980s.

US chief executives also fare extremely well compared with their foreign counterparts. International comparisons are dangerous given the differing amounts of non-wage perks enjoyed by executives around the world. However, Crystal estimates that Japanese chief executives earn just 17 times their average worker's pay, French and Germans get 23 to 25 times, and in the UK a multiple of 33 to 35.

At a time when the US is struggling to maintain its international competitiveness against Japan and Germany, there is increasing American scepticism that lavish boardroom pay actually improves a company's performance. That said, the criticism is not universal. Michael Halloran, head of the executive compensation practice at Towers Perrin, which advises many US companies, says that while some pay is obviously "out of whack", the problems are not too pervasive: "For every bad example there are 100 companies that have done a reasonably good job."

Michael Jensen, at Harvard Business School, has pointed out that in real terms the pay of chief executives at public companies is only now catching up to its level of 50 years ago, and is far from excessive alongside the income of partners in top law firms or Wall Street investment houses – against which industry must compete to attract the most talented individuals.

In a Harvard Business Review paper last year he argued: "There are serious problems with chief executive compensation, but 'excessive' pay is not the biggest issue. The relentless focus on how much CEOs are paid diverts public attention from the real problem – how CEOs are paid. In most publicly held companies, the compensation of top executives is virtually independent of performance."

That is a view shared increasingly by compensation experts. A look at the three components of a chief executive's pay package – basic pay, annual bonus, and long-term incentives – helps to explain why. Of the three, basic pay – the core salary received by the chief executive, irrespective of his company's performance – varies widely from company to company. But there is often a rough link between the pay package and the size and complexity of a business.

This is because the company's boardroom compensation committee, which sets the chief executive's pay and is usually composed of outside directors, seeks advice from independent consultants on comparable rates at similar companies.

The system, however, contains an in-built ratchet effect which helps explain why executive pay has leapt so far ahead of average US pay levels as a whole; the committee finds out what rival companies pay their chief executives. It then fixes a higher than the average figure on the grounds that the company itself is above average or wants the chief executive to improve its performance.

Some cynics also maintain that chief executives can strongly influence the size of their package by ensuring that their boardroom is full of even more highly-paid executives from other companies. "If you're running a company, and you want a raise, you wouldn't want to ask Mother Theresa to join your board," says Crystal. "But you would want to ask the CEO of another company, so long as he was paid a lot more than you."

In any event, basic pay is shrinking as a proportion of total remuneration – it is now just 39 per cent of the chief executive's total package, according to Towers Perrin, compared with 25 per cent for short-term bonuses and 36 per cent for long-term incentives. And it is the latter two areas that create the highest and most anomalous rewards.

Annual bonuses are supposed to reward executives for their company's performance during the previous 12 months and are usually tied to one or more measures of financial performance. They can be extremely lucrative; the most extreme example last year was that of Michael Eisner, who revitalised the Walt Disney entertainment group in the late 1980s. He has an extremely volatile bonus system, which only takes effect if the company earns more than an 11 per cent return on equity but pays him handsomely if it exceeds that. Last year he got $11.2m.

Eisner is sometimes cited as an example of the system working well – both he and Walt Disney's shareholders have shared in the company's revival – but critics say the bonus systems at many corporations do not respond with sufficient sensitivity to changing performance. Last year the average annual compensation (base salary plus bonus) of the average chief executive rose 6.7 per cent. This was down from an 8 per cent increase the previous year and 13 per cent in 1988, but it did not match the 12 per cent drop in average corporate profits.

There were some substantial pay cuts in 1990 – for example, Robert Stempel, chairman of General Motors, which went into heavy losses, saw his pay drop by 51 per cent – and Towers Perrin's Halloran argues that a broad correlation does exist between lower bonuses and industrial sectors facing declining profits.

Crystal, however, claims to have found that for a 10 per cent increase in earnings per share, pay and bonuses rise on average by 13 per cent. For a 10 per cent drop it also increases – by 4 per cent. There seem to be several reasons. Many bonus targets are simply set far too low. Some of these are at the discretion of the board, which may choose to be generous. The chief executive sets the bonuses of those below him, establishing a framework of reward which powerfully influences his own pay.

"Long-term incentives", such as share options, are also under fire. In their most basic form, share option schemes entitle the chief executive to buy a certain number of shares in the company at a fixed price (often the current stock market price) when the option is exercised at some time in the future. This is supposed to spur him on to greater work, since the more the company prospers, and the more its share price rises, the greater his profit stands to be.

Compensation experts and the wider public are becoming uneasy about the sheer size of the profits now being reaped from share option schemes initiated in the 1980s – and if the stock market performs well over the next few years the profits and the criticism will grow much stronger. Critics say companies have either been setting the exercise price too low or have devised variations on these schemes which remove much of their risk – and therefore the incentive for managers to perform.

Take for example, "option swaps". Say a company has issued stock options to executives with an exercise price of $50. If the group's share price then drops to $20 – possibly through poor management – an option swap allows the executives simply to trade in their old $50 options for new $20 ones.

Many companies simply give away shares to chief executives – with conditions attached designed to keep them from leaving the group. And a few even put a floor under this stock – if the share price drops, the CEO gets a cheque to make up his potential losses.

So what are the answers to runaway executive pay?

Most experts agree that a useful first step would be much greater clarity about what directors are paid. Executives' pay is theoretically spelt out in a company's proxy (voting) statement, which is sent to shareholders before the annual meeting. But some packages are so complex that sometimes even specialists cannot work them out.

Large shareholders, such as Calpers, could also act as a counter to executive excess, although at present the SEC does not allow investors to put forward resolutions dealing with the size or shape of compensation, on the grounds that this is "ordinary business" and thus a matter for the board alone.

Many critics add that it is also essential to have stronger, more independent boards of directors. As for the best compensation method, there are as many theories as experts, but there is considerable common ground. First, there is general agreement that it is desirable for executives to own a large stake in the business. Some consultants suggest that companies should set a target for share ownership – say 10 times the CEO's base salary.

Second, incentive schemes involving little or no risk should be scrapped, say a number of consultants. Some radicals would scrap all incentives on the grounds that they destroy teamwork.

Third, in setting performance targets, boards should use measures which reflect the returns received by shareholders – since managers are supposed to be working for the good of the company's owners.

All this may have important lessons for the UK, where compensation schemes are still relatively simple by US standards. But Crystal, for one, fears that the US virus is starting to slip across the Atlantic. "An increasing number of British businessmen seem to be testing positive to the sickness," he says. "And it is known by the initials G.R.E.E.D."

TECHNOLOGY

Sit back and enjoy the view

Geof Wheelwright describes the individual video systems being fitted on Virgin Atlantic flights

Individual in-flight entertainment systems, which provide a small, colour screen for each passenger, will soon offer uninterrupted viewing on many airline journeys. Passengers will have as much choice in what they watch as they have in what they hear on the in-flight audio entertainment system.

Pioneering this new age of in-flight video entertainment is Virgin Atlantic airlines. Four years ago, it started down the video road with the purchase of dozens of Sony Video Walkman hand-held video recorder/TV units for use by first-class passengers on its long-haul flights. Passengers could choose from up to 50 different films on video and could use the Video Walkmans for the duration of the flight.

That, however, was only an interim development – and was only used in the "Upper Class" (Virgin's name for its first-class section) service. Last June, Virgin became the world's first carrier to install a universal video entertainment system throughout one of its Boeing 747 Jumbo jets.

The system, developed by Philips subsidiary Airvision of Valencia, California, provides passengers in both the first and coach sections of the aircraft with a small, LCD colour video screen in the seatback in front on them – on which they can view any one of up to six video channels.

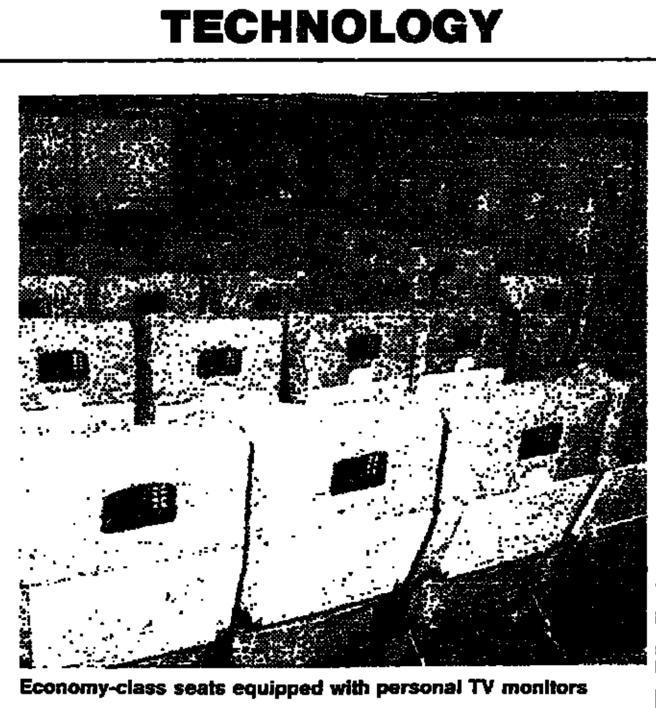
Airvision's 3060 system provides passengers in the coach cabin with a three-inch colour LCD screen and six entertainment channels (two movie channels, one music, one comedy, one sports/children's programme and one arts magazine). First-class passengers have access to the same programmes on a six-inch seatback LCD colour video screen.

The two film channels show three different films each, allowing passengers more choice of films than usual. The sound for all the channels is provided through the existing audio entertainment system.

Later this year, according to Richard Worrall, marketing projects manager for Virgin Atlantic, the airline will start installing Airvision's second-generation 4060 system – which will provide coach-class passengers with a larger four-inch screen and incorporate "cabin management" facilities in the video control console.

This will provide a direct computer link between the cabin seats and the galley of the aircraft, allowing passengers to order what they would like – including duty-free goods – using their seatback video screen. The message is relayed to flight attendants in the galley.

Although installation of these systems is costing Virgin Atlantic around $1.2m (£700,000) per plane, airline founder and managing director Richard Branson believes it is a price worth paying to stay competitive during what is a tough time for many airlines.



Economy-class seats equipped with personal TV monitors

Branson says it is part of an effort to establish repeat business. "Most airlines just transport people from A to B – they don't think about the fact that when people are on a plane for 12 hours they might want to enjoy themselves," he says.

Branson says the development of new in-flight services will not stop there – despite the fact that it takes each plane out of service for six weeks to fit it with the new system. He says that Virgin will also soon be able to offer video games during the flight.

For those who cannot afford to leave their work on the ground, an air-to-ground telephone and facsimile service is being development for the first-class section. Many US domestic carriers have offered such services for several years on internal flights.

Other airlines are expected to follow Virgin's lead with the installation of in-flight video entertainment. In addition to Airvision, in-flight systems are also under development or available from Sony-Transcom, Hughes-Avicom (which did have a joint venture development with Sony until Hughes bought Avicom) and Japanese electronics giant Matsushita.

Fashionable language becomes too trendy

The computer business thrives on fashion, and what could be more fashionable than a fourth-generation language (4GL), one of the most advanced forms of programming technology, running on Unix?

Most observers seem to agree that the Unix bandwagon is unstoppable and is the operating system that looks set to become the international standard for mid-range computers. This in turn should bring powerful demand for software which makes it easier to write programs to run on Unix operating systems – 4GLs are just such software.

But hopes that the market for 4GLs on Unix could be a goldmine for software developers are dampened by a new report* from ButlerBloor, a UK-based information technology consultancy which is gaining a reputation for its software insights.

It warns that the market for these products is already fiercely competitive and that for some software developers the principal problem will be survival rather than expansion.

The report says that demand is being depressed by the recession worldwide, and that the market for 4GLs, computer languages which make it easier and quicker to write new programs, is becoming saturated.

This is exacerbated by four separate developments in software which are combining to reduce the prospects for Unix 4GL developers:

- Software houses which have developed 4GLs for other operating systems are moving them to Unix.
- 4GLs designed to run on personal computers are being moved to Unix.
- Computer-aided systems engineering (Case) products are starting to encroach on conventional 4GLs.
- The new magic bullet of the programming world, object-orientated 4GLs, is starting to make its mark.

"The influence of many of these factors is increasing rather than decreasing and putting a very definite squeeze on all the vendors," ButlerBloor says. "Software pricing is related to hardware pricing and because Unix hardware is less expensive, so is software. This means that success in the Unix market is not nearly so rewarding as success elsewhere".

It is good news for customers, however. ButlerBloor argues that it is a buyer's market and there should be little difficulty in extracting discounts from the vendors.

Who are the lucky vendors? Chiefly US companies like Unify, Focus and Informix. ButlerBloor reviews some 16 products in its report and says it would have preferred that no single product had stood out ahead of the competition. But, it concludes, Windows 4GL from Ask Ingres offers far more capability than any of the other products reviewed.

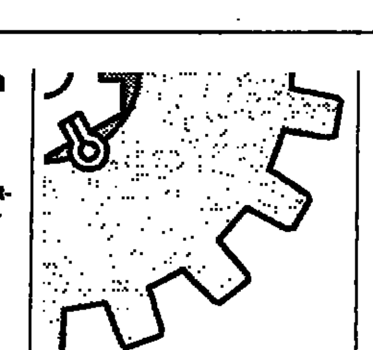
The caveat is that Windows 4GL is more of an object-orientated development environment than a straightforward 4GL, so comparisons are misleading. Among Case products, it recommends Powerhouse from Cognos.

The fly in the 4GL ointment is that most data processing establishments are hard pressed to keep up with yesterday's technology, let alone today's fashions.

Object-orientated products are a case in point. Object orientation is a software technology which promises faster, more efficient programming but ButlerBloor complains: "Few IT departments understand the implications and benefits of object orientation and there is an understandable resistance to new technology."

Alan Cane

**4GLs on Unix, £420. Available from ButlerBloor on 0908 373311.*



WORTH WATCHING

by Della Bradshaw

Colourful calls on the cellular line

A WAY of transmitting full colour pictures to a laptop PC over the cellular radio network and in less than 30 seconds is now being promoted by software company Otib (Origin Technology in Business) of Redhill, Surrey.

The technique is based on "fractal transform process", which means that the transmitting PC looks at the picture and identifies parts which are the same as images stored in the system's memory. Once these are identified, the system need only send the formula which represents the pattern, not the pattern itself. These formulae are then compressed for transmission.

The receiving laptop needs special software to decode the picture. However, this software only takes up a small piece of memory, and so can be sent along with the picture itself for infrequent users of the service.

Polystyrene takes to the road

IT is not often that road construction workers in the UK have to be issued with sunglasses. But that is the case for those working in Gateshead on two span bridges, 0.6km of motorway and two roundabouts on a site that was previously waste ground.

The reason is that contractors Costain have opted to use expanded polystyrene to build an embankment over which the road will cross. Expanded Polystyrene has low tensile strength, but its compressive strength is high enough for embankments.

Thirty-five thousand cubic metres of the white material, supplied by Brodr Sunde, of Norway, is being used. Each block is wrapped in high density polyethylene and polyester film sheet and tightly packed. The sheets are designed to prevent liquid petroleum products damaging the material.

Liquid gas makes pollution dry up

A DANISH company believes it has found a cheap and efficient way of reducing the pollution of Europe's cities by diesel-driven buses and trucks, writes Hilary Barnes.

Alex Jensen, of Skibby on the island of Sjaelland, has developed a way of converting diesel engines to using liquified petroleum gas (70 per cent propane, 30 per cent butane).

The result of the conversion is a big drop in the emission of pollutants. Nitrogen oxide emissions are cut to one fifth of those from a bus diesel motor, carbon monoxide emissions are cut to less than half and hydrocarbon and particle emissions are eliminated almost entirely.

The switch to gas involves the use of a three-way catalytic converter and does not require any modifications to the engine. The process costs about DKr60,000 (£5,300) for a city bus.

A package of chemical bonds

A TYPE of anti-static and anti-corrosive plastic packaging could find a home in applications as diverse as cases for musical instruments or packaging for computer chips.

Developed by AT&T's Bell Laboratories in the US, the "reactive polymer" is a mixture of conventional plastics and chemical additives which form chemical bonds.

Because the material conducts electricity away from its contents it is ideal for packaging sensitive electronic components. And because it reacts with corrosive gases, preventing oxidation, it can be used in the filling for musical instrument cases, or packaging for museum artefacts.

AT&T estimates that the recyclable plastic will cost more than conventional materials but less than plastic, which has to be painted or coated to prevent conductivity or corrosion. The first customer will be AT&T's own microelectronics department and the technology will also be used by Baxter International, of Illinois, for packaging medical equipment.

Immune system saves paint

THE move towards water-based paints, to protect the environment, has not been without problems.

Bacteria, yeasts and fungi, deterred by solvents from attacking older styles of coatings, now find paints a good source of the next meal. The result is discolouring, bad odours and deterioration of the paint in the can.

To prevent this ICI Biocide, of Manchester, has developed a biocide which can be mixed with water-based paints to prevent attack. The problem with biocides in the past has been that they contain solvents, to prevent them from freezing, and also formaldehyde and chlorine – all of which are taboo to environmentalists. ICI's Promexel uses a newly-synthesised compound from the isothiazolinone family to replace the offensive substances.

Smartcase packs up its belongings

ANYONE who has carried a laptop computer around knows it can be unwieldy and heavy. You also need a briefcase in order to carry papers and other gadgets.

Harvel Medcom, of Strood, Kent, hopes to overcome the problem with the Smartcase, a specially-designed briefcase which keeps the IBM compatible machine and accoutrements secure while providing space for other belongings. The datatray on which the laptop is secured can be adjusted to different angles. The whole package weighs 10 lbs.

The Twinhead 386SX has 40 Mbytes of hard disc, and a facsimile modem. It comes complete with database management and word processing software, among others, but can run any Dos program or can be tailored to run Unix software. Once back in the office, the machine can be plugged into the local area network, or can transfer data with office machines.

Contacts. Otib: UK, 0883 626672. Costain: UK, 071 928 4977. Alex Jensen: Denmark, 42 32 85 01. AT&T: US, 908 771 2826. Baxter Healthcare: US, 805 253 7585. ICI: UK, 061 721 2252. Harvel Medcom: UK, 0634 720035.

Kafka's Dick

ETCETERA THEATRE

Kafka's Dick, as those who saw its 1986 premiere at the Royal Court will remember, is a dig at the earnest legions of literary biographers by that least earnest of writers, Alan Bennett. If Bennettesque is not yet in the dictionary (alongside Kafkaesque and Proustian), it can only be a matter of time. From his cracking metaphysical farce, *Habeas Corpus*, to his fine television monologues, *Talking Heads*, the voice is there: frivolity, intelligence and empathy, often in unexpected combination.

In this work, he sets a haunting picture of self-loathing genius within the framework of its historical enshrinement. In a surreal fantasy, Kafka is dragged back from the grave to confront the friend, Max Brod, who disobeyed his orders to burn his books, thus ensuring him a place in world literature. "Always there has been just one question," says Brod. "Why did *you* not burn the papers?" Wrong. Far more interesting, to Bennett's needling mind, is: did Kafka really want his work burned? To what extent is the self-hatred of the man extricable from the ego of the writer?

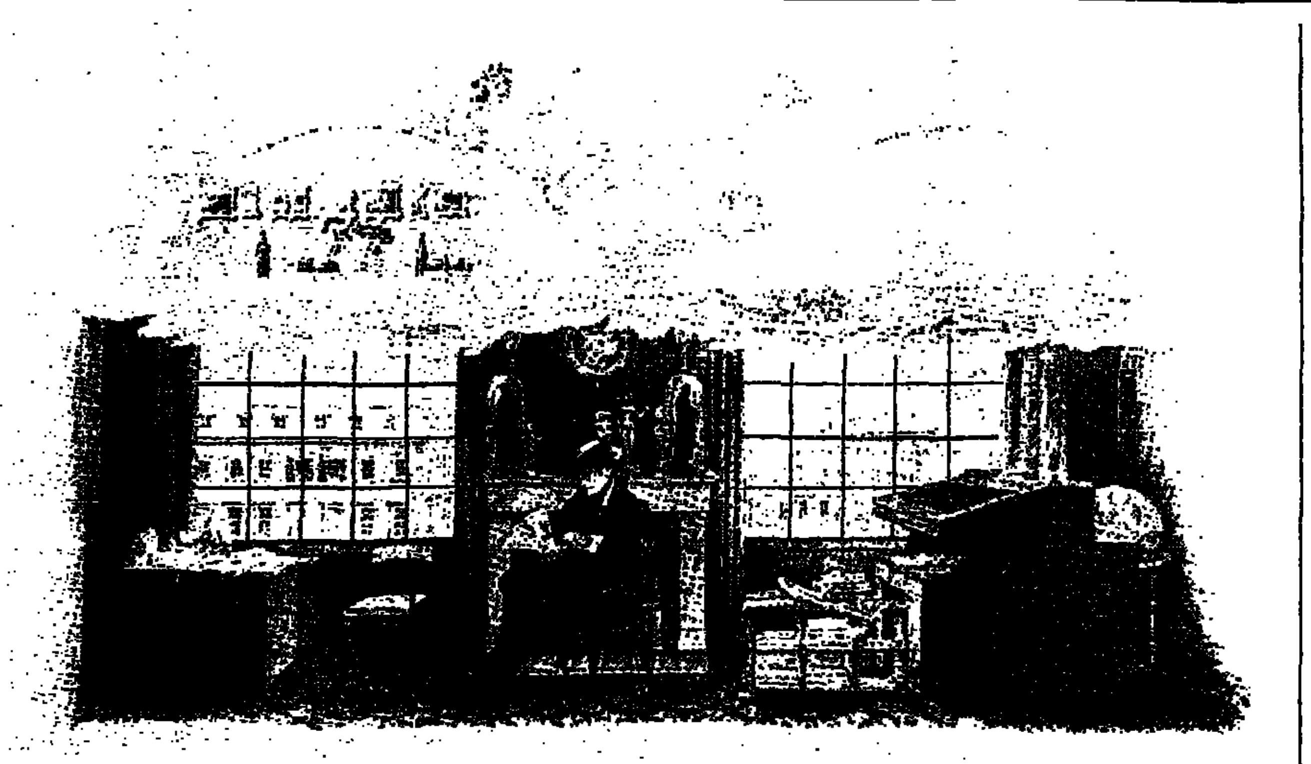
This rather lumpen revival at Camden Town's Etcetera Theatre makes one revealing point, by bringing the play back in revised form. The principal amendment Bennett has made is to cut Kafka's mother from the second act, which makes sense structurally and logistically. The redistribution of the dialogue puts no strain on the logic of the piece, but places a strong ironic emphasis on the frequently made point that women have no place in history.

In the original production, both Bennett's women – the biography-freak's wife and the writer's mother – held precisely the same position of ingenuous ignorance, as if Bennett was at a loss as to how else to represent them.

His Freudian analysis of Kafka is revealed as venturing no further than his relationship with his father, a overbearing bully, originally played by Jim Broadbent, but here rendered by Hugh Coleridge as a pinch-faced inquisitorial sadist who benefits from a physical resemblance to Peter Hampson's clerk-like Kafka.

Director Gabrielle Dawes holds the play on a furious monotone, drawing one good performance from Nicholas Blatt as Sidney, excitable collector of literary tittle-tattle, but losing the imaginative sleight of hand needed to support the preposterous exuberance of Bennett's vision.

Claire Armitstead



A part-dreamscape watercolour by Schinkel, who gave it to his friend Peter Beuth, the subject of the painting

At last, a spotlight on Schinkel

This past week I have conducted a poll, murmuring to friends that Britain is having its first Schinkel exhibition. Almost to a man/woman, my sample has replied, "who?" Not one biography of Schinkel exists in English. Here, if ever, is the proof that for most of this century, our cultural awareness of pre-20th century Germany – always excepting in the sphere of music – has been spread woefully thin.

Yet Karl Friedrich Schinkel (1781-1841) was a lighthouse of a man, whose inspiration still shines strong in our times, and may yet grow stronger. Architect, designer and painter, Schinkel was staggeringly productive. He was modest and charming, a lifelong civil servant who worked himself to death in the service of the emergent Prussian state. Now, at last, we meet this inspirational figure on British soil; through Karl Friedrich Schinkel: A Universal Man, at London's Victoria and Albert Museum (until October 27), with a well-written catalogue, edited by Michael Snodin (Yale; 218pp.); and through a modest exhibition at the Goethe Institute (071-581-3344) on Schinkel's travels in England, Scotland, and Wales in 1826.

The *FT* marks the occasion with a double review: in Monday's paper, Colin Amery expressed his admiration for the V&A exhibition. Its strongly pink walls gave him a minor twinge, but I had thought it rather a good choice. It picks up the glow of late afternoon which suffuses the paintings of Schinkel's younger contemporaries, Carl Daniel Freydanck, Eduard Gaertner, and Wilhelm Barth. Their vistas leave one with a delightful impression of golden days spent in Berlin and Potsdam, strolling through the public spaces of a city transformed by Schinkel's classical vision, or taking tea in those exquisite yet modest residences, built for young royals strong on taste but short of cash.

Colin Amery's idea of heaven, he confesses, would be the job of court gardener at Charlottenhof. There he would tend the English gardens, and of an evening, sit on the terrace of the gardener's Italianate, lobbing bread to the swans. It is worth pointing out that the villa on the River Havel was not purely Schinkel's creation, but also drew on the ideas of his talented patron and pupil, Crown Prince Friedrich Wilhelm (IV). I wish the exhibition could have acknowledged more generously the vital role in Schinkel's mature career played by this prince, "the romantic at odds with his age", an architect manqué who dreamed of creating Utopian villages in Prussia's lugubrious wastes.

My dream is more immodest. I would be châtelaine of Schloss Orianda, set high among the pines on the Black Sea coast. This fabulous pleasure palace was one of Schinkel's last projects. Designed in 1838 for the prince's sister, the Empress of Russia, it was never built. What an extraordinary place it would have been! Schinkel's grand watercolours show how he would have half-hidden this massive Grecian palace among the forest. In its inner parts, beside the temple, he would have created a garden. He evokes the most exquisite fusion of ancient cultures, west and east, a place of solemn, rather gloomy beauty.

The real pity of the V&A show is that it should be so small, relative to Schinkel's stature. For example, the other fabulous project, for a palace for the German King Otto on the Acropolis, does not feature, even though it makes such a wonderful pair to the Orianda project. There is such a huge fuss about building the new museum on the Acropolis that it would have been amusing to show Schinkel's palace which, to quote David Watkin, "managed to make the Parthenon look like a garden ornament!".

Schinkel's drawings and watercolours are so appealing, so lucid, and his control of line so miraculous, that this was a case when twice as much would have been twice as good. Schinkel – who designed the Iron Cross – was recognised in his own day as a first-class Prussian national hero, but he does not really appear in that light. Nor is there any attempt to deal with his *Nachleben*, either in the last century or, more dubiously, in this.

And yet, recent events mean that Schinkel is more alive than ever, with a project for rebuilding the Bauakademie in Berlin. Of course, we are grateful for this exhibition, which was largely planned before reunification. But is it going to be the last word? I wonder if our pantheon of Great Europeans can ever be extended unless a Schinkel receives the "block-buster" treatment hitherto reserved for the safe figures, a Titian, a Van Gogh, a Rembrandt.

The Goethe Institute's exhibition is small, but it shows rather more of Schinkel's personality. In 2½ months in 1826, Schinkel and his friend and guide Peter Beuth, head of the Prussian equivalent of the DTI, travelled around Britain. Their energy was prodigious, taking them from Bath to "the Ossianic isles" (as Schinkel thought of the Scottish islands) via a host of manufacturing towns where Beuth engaged in genteel industrial espionage.

Schinkel wrote his journal every morning, without fail. He liked almost everything, although modern English civic statuary he found *schrecklich*, and occasional incidents with drunks rather shocked him.

The journal pages are crammed with sketched details, of cast-iron construction, foundries and factory chimneys which he likened to pyramids and obelisks. A humane man, he worried about the miles of dreary red housing put up for the workers of Manchester. Otherwise, he liked almost everything he found here, and commented on the neatness of the countryside, the good food, and the towns and villages of the south-east, "superbly kept, pleasant and clean."

In his formal sketches, we see how brilliant Schinkel was at vistas of immense grandeur in which the individual monuments – Thomas Telford's bridges, or ruined Scottish castle – are always related to their environment. Looking through the world in Schinkel's eyes is an uplifting experience. Theodor Fontane said that "Schinkel painted like an architect and built like a painter." No one interested in either art or architecture should miss their meeting with Schinkel.

Patricia Morison

Violetta as Pretty Woman

NEW YORK

The New York City Opera's latest new productions – of *La Traviata* and of *Cavalleria rusticana* and *Pagliacci* – followed the fashion for altered epoch and setting. Violetta was a contemporary call girl, a "professional escort," a Pretty Woman. The producer, Nicholas Muni, introduced just about every contemporary cliché: dark glasses, leather coats, mackintoshes, televisions, bare light bulbs, cordless telephone, undressing, copulation; only the almost-obligatory wheelchair was missing. Meanwhile the sung words still told of transport by horse and carriage; and the currency was still louis.

Muni heads the Tulsa Opera, and this *Traviata* came to New York from Tulsa. He is – as I tried to suggest in an account of the *Ariadne* that he staged in St Louis this summer – a diligent, complicated, and arresting thinker about old operas and what they might mean to a modern audience. In the *Traviata* he was not being merely modish but, rather, was testing to breaking-point – and beyond – the standard modern methods of "revivifying" the old repertory.

The prelude, of course, was staged, but not in the by-now-traditional manner that leads to a flashback. Violetta nervously checked her make-up; toward the close Baron Douphol entered with Gastone ("her manager") and handed him a wad of bills to secure the hostess's after-the-party services. During "Addio del passato" the baron waited patiently upstage until, reassured by her "I'll pursue the life of pleasure", he came forward and began, eye-catchingly, to undress.

In Act 2, Alfredo's rapt "De' miei bollenti spiriti" was reduced to casual after-tennis chat to his partner, over drinks in a pavilion beside a Hockney pool. At Flora's (coke-sniffing, etc) party, Muni boldly invited us to compare his version with what we traditionally see: there was a large portrait of Maria Callas, the great postwar Violetta, on the wall; and on Flora's giant television screens the same scene, in the Moffo-Bechi film, was in progress. The finale of the act was comedy, as Alfredo drew a gun on Violetta and then pointed it at each person whose voice entered the ensemble.

It didn't work. It killed the opera. There were many laughs. "This is all rather fun, isn't it?" was the main reaction of those who liked it. Fifty years ago Ernest Newman declared that the world needed a new *Traviata*, freshly created by a dramatist and composer of genius, free of mid-19th-century operatic convention – even though the old *Traviata*, he admitted, "is still very much alive." Muni – whether this was his intention or not – provided a demonstration that the opera needs to be accepted and performed on its own terms and is diminished by a staging that makes the high rhetoric of its text and the formal, conventional structure of the music (with its repetitions, cadenzas, double cadenzas) seem old-fashioned and rather ridiculous.

Sharon Wells, the Violetta, was a gleaming, gripping actress who gave meaning to everything that she said. But – this matters – she was often out of tune. And so was the Alfredo, Martin Thompson, a good-looking young stick with a decent tenor voice, but no actor. And neither of them commanded what might be called "Verdi style" – the knowledge of how most eloquently, most communicatively, to time, weight, slur, inflect the phrases. Gaetan La Perrière, the Germont, went the other way; he seemed so much concerned with his singing that no character emerged. The conductor was Guido Ajmone-Marsan, neither here nor there. He knows how the piece goes but inspired no refined playing from the orchestra.

Muni entertained people who have seen *La Traviata* often and were now amused by the ingenious new twists. In Act 2, Flora's invitation arrived by telephone and Giuseppe with his "Per voi" handed the receiver to Violetta. In the duet, her touching "Embrace me as *daughter*" emerged now as a reproof to Germont's (gratuitous) mimed suggestion that one way of breaking up the affair with Alfredo would be for her to become *his* mistress. Muni had evidently aimed at more than a "fun" *Traviata* but he did not achieve it. He gave us lots to think about but little to feel. After the *Ariadne* and now this *Traviata*, I suspect that he thinks too much, and too intricately, about librettos and dramaturgy and how audiences react, and lacks straightforward, direct response to the strong, plain message of the music.

Andrew Porter

BBC Scottish Symphony Orchestra

ROYAL ALBERT HALL/RADIO 3

At the Proms, a piece of unfamiliar new music is unlikely to decimate audience figures, if it looks brief enough. On Wednesday Xenakis's 15-minute *Shaar* (1982) was first on the programme, where people cannot avoid it, so the hall was almost as full as it had been for a twin concert the night before.

The BBC seems to like introducing its regional orchestras at the Proms with concerts in pairs. The BBC Philharmonic and the BBC Welsh each took two nights in the opening fortnight and this week they were followed by their counterparts in the BBC Scottish SO. The orchestra looked good, gentlemen in white jackets, ladies in royal blue; and by the close of the second concert their playing should have won a few friends, too.

Their Xenakis involved the strings alone. This is a closely-argued piece that makes its effects with dense textures and sudden bursts of activity, apparently random at first, though the music gains in coherence as it progresses. The analogy of a crowd of people, suggested by the programme-note, seemed to me very apt, a mass of bustling individuals, perhaps in a Jewish market-place, to link with the geographical origin of the title (Shaar means "gate" in Hebrew).

Jerzy Maksymiuk has been the orchestra's Principal Conductor since 1984 and has clearly formed a close working relationship with it. The performances of standard classics on each evening had an individual cut of the kind one would expect from musicians well primed in each others' ways. At the first Prom their Beethoven, the Seventh Symphony skipping along lightly with dance in its toes, was especially enjoyable.

If Stravinsky's *Petrushka* the next night did not take off in quite the same way, that was because Maksymiuk felt the need to keep a firm grip on what the orchestra was doing. The playing was well drilled, though. The rhythmical skeleton of the music moved with a decisive step and it would not take much more to flesh it out with the full range of Stravinsky's brilliant colours.

There were two concertos. On Tuesday we had Britten's Cello Concerto, an important work, which on record convinces the listener that it is getting to grips with difficult musical arguments. Such impressions are subjective, of course, but the performance here did not focus attention with that sort of intensity. The Albert Hall softens abrasive sounds, dulls bright ones; and the soloist, Robert Cohen, impressed more with his musical imagination than by force of personality, as Rostropovich did. Nevertheless, much of the slower music in his hands was hauntingly beautiful.

Dvořák's Violin Concerto does not involve any comparable intellectual effort. Tasmin Little, on Wednesday, played it with supreme confidence, without any affectation or coyness in its sweeter music, just lively, fresh music-making. And the audience had the reward it had been waiting for after the Xenakis: some good tunes.

Richard Fairman

Angels Still Falling

BOULEVARD THEATRE

Ever since Horace Greeley advised it and Bob Dylan got his kicks doing it, young America has been heading West. In 1957 Jack Kerouac, the French Canadian with an Ivy League education still clinging to him, wrote *On The Road*. The book shaped a generation, created "beat", and put Kerouac's life so far out of joint that he never recovered.

Angels Still Falling, at the Boulevard Theatre, presents Kerouac according to Richard Deakin. Kerouac's struggle to write is an exhilarating breeze westward, full of energy and verve; but his subsequent decline into drunkenness is a painful and tedious vigil.

Kerouac is a compelling subject, and the repair work needed after the 1979 bio-film *Heart Beat* is overdue. Apart from the three-cornered match between author, bottle and typewriter, Kerouac's life featured a *ménage à trois* with his wild friend Neal Cassady and wife, and triangular rows with his Catholic mother and his Jewish girlfriend.

Deakin dispenses with plot, choosing to show Kerouac in a clever sequence of shifts and flashbacks. The play catches the intensity of life lived with Kerouac, Cassady and Allen Ginsberg. It rightly presents Kerouac as the soul of America, more influential than the fluffy '60s which followed. It also recognises that the Kerouac prose style – "spontaneous bop prosody" – is closer to jazz than to any literary forbear and so ranks Kerouac with 1950s essentials Coltrane, Davis, Holiday and Young.

Adam Henderson and William Marsh as Kerouac and Cassady are wonderful: sharp, sassy, quick and slick. Their rapport carries the play, and they are essential to some of the best driving scenes one can picture on stage. Henderson has to search for the dutiful son, distrait lover and terminal dipsomaniac in Kerouac: he finds them all. Marsh plays Cassady – with boundless nervous energy – as the real fanatic hooked on life who leaves the writing to Jack: "Smoke some of that, man, and you'll be writing *Son of Moby Dick*."

The action is stuck in a vile 1950s retro-repro false perspective set, vulgarly lit. It should go. Bass and guitar accompaniment redeem the setting, although the road songs could be shorter and still be good enough.

Despite its practical faults, *Angels Still Falling* uncovers the Kerouac of *On The Road* and *Desolation Angels*. When he died in 1969, aged 47, Kerouac had started a revolution both radical in being classless and conventional in being all-American. Kerouac knew that heading West was a state of mind rather than a statement of place. His life proves that to be everywhere is to be nowhere.

Andrew St George

Maurice MacGonigal

DUBLIN

The 1991 European City of Culture programme continues apace. At the Hugh Lane Municipal Gallery of Modern Art until August 25 is a survey of Maurice MacGonigal (1900-1979), who took an active part in the War of Independence and became President of the Royal Hibernian Academy.

His nationalism made him work towards an identifiably Irish school of painting – an aim now out of touch with the received view that any worthwhile statement in art must be universal. But the Easter Uprising of 1916 gave MacGonigal purpose and inspiration. His work for the Irish Revolutionary Army got him arrested and interned in 1920. But even after resigning from the IRA in 1922, we see him in Prisoners on the Roof, Kilmainham, still preoccupied with the cause. The patriot and zealot is evident too in The Irish Captain (1933) and Dockers (1934) – which for all their competence are uncomfortably close to the Socialist Realist and propagandist art that swept parts of Europe and the US. Just as Orpen's talents were watered down by a glitzy finish, so the impact of MacGonigal's work is weakened by his romantic touch. The burial in 1979 of MacGonigal together with the palette once owned by Orpen closed a respectable but undynamic period of Irish art.

Robin Duthy

INTERNATIONAL

ARTS GUIDE

EXHIBITIONS

EXHIBITIONS

AMSTERDAM

Rijksmuseum Indian Miniatures from Paris: 100 pieces from the Fondation Custodia collection, illustrating Mogul histories and Hindu epics from 16th to 19th centuries. Also Court Gems from *India, including a relief in* alabaster showing a portrait of the Great Mogul Shah Jahan. Ends Sep 22. Closed Mon

Van Gogh Museum Japan: Van Gogh's Utopia, examining the influences of Japanese prints and culture on the life and work of Van Gogh. Ends Sep 22. Daily

BASLE

Kunstmuseum Swiss Drawings 1800-1850: a selection of the best work of the period, in which Swiss artists were *searching for their* own path between the Romantic school in Paris and the circle of German artists in Rome. Ends Oct 27. Closed Mon

BERLIN

Schloss Charlottenburg Imperial Art from the Dutch Exile of Kaiser Willem II: paintings, sculpture and artefacts, including silver and furniture from the time of Frederick the Great. Ends Sep 29. Closed Mon

Schloss Kopenick Rosenthal porcelain: a collection of work by one of the leading early 20th century German *porcelain* manufacturers, tracing developments in design from Jugendstil to the 1940s. Ends Jan 5. Closed Mon and Tues

CHICAGO

Art Institute Degenerate Art: The *Fate of the Avant-Garde in Nazi* Germany, featuring the work of artists held up for public mockery in 1937, who later won recognition as masters of their realm. This is a widely acclaimed exhibition originally mounted by the Los Angeles *County Museum. Ends* Sep 8. Ends Sep 3. Daily

DIJON

Musée des Beaux-Arts Matisse: Masterworks from Nice, an exhibition including many of his best-known paintings, drawings and sculpture, on loan from the permanent collection in the town where the French painter found much of his inspiration. Ends Oct 6. Closed Tues

DUSSELDORF

***Kunstmuseum** Walter Ophey* (1882-1930): exhibition of 180 paintings and drawings by a long-neglected German artist who was associated with the early 20th century avant-garde. Ends Sep 1. Closed Mon

EDINBURGH

National Gallery of Scotland Saved for Scotland, a group of paintings and objets d'art acquired for Scottish public collections with the help of the National Art Collections *Fund. Artists* represented include Velazquez, Stubbs, Van Gogh, El Greco and William Blake, plus Italian maiolica, Venetian glass and sculpture by Bernini and Barlach. Ends Sep 29. Daily

Royal Scottish Academy Virtue and Vision: Sculpture and Scotland *1540-1990, tracing developments* since the early days of court patronage to the strong native school of the present. Ends Sep 15. Daily

Scottish National Gallery of Modern Art Michael Andrews: *Ayers Rock and Other* Landscapes, including nine spectacular paintings resulting from a visit to Australia in 1983, plus a *group of Scottish* landscapes. Ends Sep 29. Daily

FLORENCE

***Casa Buonarroti** Artemisia* Gentileschi (1597-1651/3), follower of Caravaggio and possibly the most famous woman artist of all time. The exhibition includes 30 paintings from Italian and foreign museums, together with several masterpieces by her *father Orazio.* Ends Nov 4. Closed Tues

Museo Nazionale del Bargello The Bronzes of Calliope's Writing Desk: the collection of bronze and marble statuettes built up by Cosimo I de' Medici between 1550 and 1574, and stored in the Scrittoio di Calliope, a small room used to guard the Grand Duke's most precious belongings. The collection has survived almost intact, and is one of the most important of its kind. Ends Aug 25. Closed Mon

GLASGOW

Hunterian Art Gallery The Nude: five centuries of drawings, watercolours and prints from the *Hunterian's collection,* including work by Dürer, Rembrandt, Goya and Epstein. Ends Oct 19. Closed Sun

LONDON

Royal Academy The Fauve Landscape: Matisse, Dérain, Braque and Their Circle 1904-1908, with 75 paintings showing how *the Fauves used vibrant colour* to express their subjective and emotional response to landscape. Ends Sep 1. Daily

Tate Gallery John Constable: largest-ever survey of the English artist's work. Ends Sep 15. Daily

Victoria and Albert Museum Schinkel: A Universal Man, an exhibition devoted to one of the greatest and most influential classical architects of the 19th century. It includes paintings, architectural drawings, furniture, *sculpture and silver from the* Schinkel archive in Berlin. Ends Ends Oct 27. Also Wish You Were Here: The Printed Seaside, a collection of traditional and contemporary seaside graphics. Ends Sep 1. Daily

LUGANO

Villa Favorita Magnificent Switzerland: Swiss Views by Foreign Artists, including 80 oils and watercolours by major European artists of the 18th and 19th centuries, such as Turner, Corot, Bierstadt, Delacroix and John Singer Sargent. Most of the paintings are Alpine landscapes and city views, but there is also a section devoted to important personalities of the period, including Rousseau. *Ends Oct 31.* Closed Mon

MARTIGNY

Fondation Gianadda Ferdinand Hodler: Painter of Swiss History, including some of the large-scale historical and mythological works which established Hodler as a leading Swiss painter of the late 19th century. Ends Oct 20. Daily

MILAN

Palazzo Reale Filippo de Pisis (1896-1956): an exhibition, drawn primarily from Milanese private collections, of paintings by the *Italian artist who based his style* on the fluent, quasi-Impressionist brushwork of Manet and Guardi. Ends Oct 13. Daily

MUNICH

Kunsthalle der Hypo-Kulturstiftung Thought Pictures: Contemporary Art 1960-90. Installations and paintings by 50 internationally-recognised artists including Donald Judd, Frank Stella and Bruce Nauman. Ends Sep 8. Daily

NEW YORK

Metropolitan Museum of Art Masterpieces of Impressionism and Post-Impressionism, including works by Gauguin, Cézanne, Van Gogh, Renoir and Degas. Ends Oct 13. Also The Art of Paul Manship: retrospective of one of *America's foremost sculptors.* Ends Sep 1. Closed Mon

Museum of Modern Art Lee Friedlander: Nudes. A selection of 50 photographs of female nudes ranging from intimate portraits to abstract figure studies. Ends Oct 8. Also Ad Reinhardt (1913-67): the first full-scale retrospective of the American artist, known for his austere abstract style. Ends Sep 2. Closed Wed

Whitney Museum of American Art *Hunt Diederich: figurative* sculpture and drawings by a long-neglected early 20th century artist. Ends Sep 29. Also John Baldessari: retrospective of 22 years of work by a pioneer of conceptual art. Ends Oct 20. Also American Life in American Art: the 20th century American experience as seen in paintings and sculptures from the permanent collection. Ends Nov 10. Closed Mon

NIMES

Musée d'Art Contemporain Miquel *Barcello: 50 paintings and 26* drawings by one of Spain's leading younger-generation artists. Ends Sep 30. Daily

PARIS

Centre Georges Pompidou André Breton (1896-1966): the aesthetic *world* of one of the leading theorists of Surrealism. Ends Aug 26. Closed Tues

Jeu de Paume Jean Dubuffet: The Last Years. The renovated former temple of Impressionism inaugurates its new role as a *national* gallery of contemporary art with an exhibition devoted to the founder of art brut. Ends Sep 22. Daily

Trianon de Bagatelle Impressionism in Romania: the influence of French art on four *Romanian painters between 1865* and 1920. Ends Sep 8. Daily

Musée Marmottan Important collection of paintings by Monet and his friends, including 'Impression-Soleil levant', from which the Impressionist movement took its name. Closed Mon

Cartes musées available at all metro stations and museums, to avoid queuing at 60 museums including the Louvre, Musée d'Orsay and Versailles

PRAGUE

Convent of St Agnes of Bohemia Centenary reconstruction of the jubilee exhibition of 1891. Ends Oct 6. Closed Mon

Convent of St George Ancient Chinese art from the National Gallery collection. Ends Sep 15. Closed Mon

Kinsky Palace Goya: exhibition of sketches and drawings. Ends Sep 1. Closed Mon

ROME

Accademia Valentino Valentino: Thirty Years of Magic. 300 outfits *made between 1960 and 1990* with their original accessories. The intelligent eye of the designer shows in the wealth of sources - William Morris wallpaper, Meissen pottery, Bronzino portraits and Tiffany lamps. Ends Nov 5. Daily

TOKYO

National Museum for Western Art Martin Schongauer and the Art of Copperplate Engraving: an extensive exhibition of engravings, predominantly on religious themes, on loan from the Dresden state collection. The exhibition marks the 500th anniversary of the death of Schongauer, the first great engraver of German art, and includes work by several of his contemporaries and followers. *Ends Aug 18*

Sezon Museum of Art Masterpieces of the Guggenheim Collection: more than 100 paintings and sculptures representing the main movements in 20th century art, including work by Picasso, Matisse, Klee, Kandinsky, Miro and Modigliani. Ends Sep 1

VIENNA

Albertina Austrian Watercolours of the 19th Century: 70 works *documenting the achievements* of Austrian painters before the advent of Jugendstil and the Sezessionen. Ends Sep 1. Closed Sun

Kunsthistorisches Museum Gold from the Kremlin: 100 works from the era of the Tsars, many never previously seen outside Moscow, including the gold crown of Peter the Great. Ends Sep 1. Closed Mon

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Cleaning the Tokyo stables

MR Setsuya Tabuchi, the ex-chairman of Nomura Securities, and Mr Ichiro Isoda, the former chairman of Sumitomo Bank, head the list of distinguished Japanese financiers who have been forced to resign in the past year because of scandal. They might be followed before the month is out by Mr Ryutaro Hashimoto, the finance minister.

But such resignations give the appearance of action rather than the reality. What is needed, instead, is far-reaching reform.

The range of the incidents of itself suggests that tinkering with existing rules will not be enough. Stockbrokers have been caught paying stock-loss compensation to favoured clients as well as dealing with gangsters and stock-cornering. Bankers went to great lengths to satisfy borrowers and evade the ministry's restrictions on property lending.

The ministry of finance deserves credit for proposing measures designed to stamp out specific practices: stock-loss compensation is to be banned by law; so probably is the habit of entrusting discretionary funds to brokers to manage. There are also plans to step up supervision of property loans.

But none of this is enough. Despite a decade of liberalisation, Japanese financial markets are dominated by close and cosy links between brokers and banks on the one hand and their important clients on the other. The finance ministry has tried to encourage competition, by admitting foreign companies to the stock market, for example. But nothing that it has done so far has seriously undermined the understandable belief that Tokyo's markets are run for the benefit of insiders.

Reflex response

The reflex response of many of the ministry's critics has been to call for the establishment of a Japanese version of the US Securities and Exchange Commission.

This may not be the best way forward. The ministry itself vehemently rejects the idea for fear of losing influence. So the work of an SEC-type body would be greatly hampered by constant battles with the ministry. A Japanese SEC might be little more than a totem for placating foreign critics.

It might be better (or at least no worse) to follow the ministry's own advice and establish a new inspectorate inside the ministry, empowered to look into both banks and securities companies. However, it will not be enough simply to group together the existing teams of inspectors. Their powers will also need to be increased to allow them to search for documents and summon witnesses for questioning just as tax and public prosecutor's officials can. Also, the new inspectorate will require a big budget increase: the SEC employs 2,200 people, the ministry's securities bureau only 130.

Principal aim

It is also time to codify many more of the ministry's rules – and enshrine the more important in law. The ministry does much of its work through written or oral instructions handed out individually to companies. There are regulations for everything, down to the size of a bank branch sign. The system has the merit of flexibility. But it lacks transparency. For example, the ministry has known about compensation payments for years and sometimes quietly warned companies against making them. But the strictness of the caution varied from official to official and there were no legal penalties. So the impression was given that the ministry was turning a blind eye to the practice.

Most important of all, the finance ministry needs to re-examine its fundamental role. The principal aim of Japanese policy in the postwar era has been rapid economic development. The purpose of policy towards the financial sector has been to secure plentiful and cheap long-term capital for Japanese business. A principal consequence has been suppression of competition among financial institutions, to the detriment of the individual investor.

Now that the Japanese economy is one of the world's richest the approach is unnecessary; and now that Japanese financial markets are among the world's most important, it is also unacceptable. It is time for the ministry to stand back and allow companies to compete more freely with each other – including allowing banks into the securities industry and brokers into banking. This does not have to be done in one fell swoop. It can progress steadily in the Japanese way. But the lesson of the scandals is that investors need protecting from financial companies, not financial companies from competition for the favour of private investors.

Small business champions

LESS THAN a year after Britain's chambers of commerce launched an ambitious programme to beef up their network they have begun to question whether this will be enough. Some are asking whether the chambers should not be given the official status that many of their continental European counterparts enjoy.

The precise legal status of the chambers may appear arcane, but it does have important implications for the effectiveness of Britain's business support network in the 1990s.

The options for the chambers are summed up in a discussion paper which has been circulated by the Association of British Chambers of Commerce to its members.

The three main options are: a continuation of the status quo, whereby companies only join their local chamber if they think it has anything to offer; full public law status, requiring all businesses to be members of their local chamber and permitting the chambers to charge membership dues; or official recognition, which stops short of full public law status.

Under the third option all businesses employing five or more people would be required to file company information with the chamber, paying a small fee for the privilege, but they would not be obliged to become members.

Bureaucratic dangers

The present campaign to improve chamber standards is based on retention of their present status. But this could mean that they will remain under-resourced and of varying quality throughout the country. Full public law status would mean access to more funding (through higher membership revenues), but would bring with it the dangers of excessive bureaucracy. According to initial ABCC soundings, these drawbacks have persuaded many chambers that official recognition, short of full public law status, is the best option.

Official backing would enable the chambers to create a valuable business data-base, which would allow support services to be more accurately targetted. It would also permit the chambers to act as an official channel of communication between government and business.

The ABCC argues that there are real differences between official recognition and public law status, not least in the far higher level of fees which membership, as opposed to registration, would entail. But the outside world might have difficulty in making this distinction, and could regard both as ways of ensuring compulsory affiliation.

Defined relationship

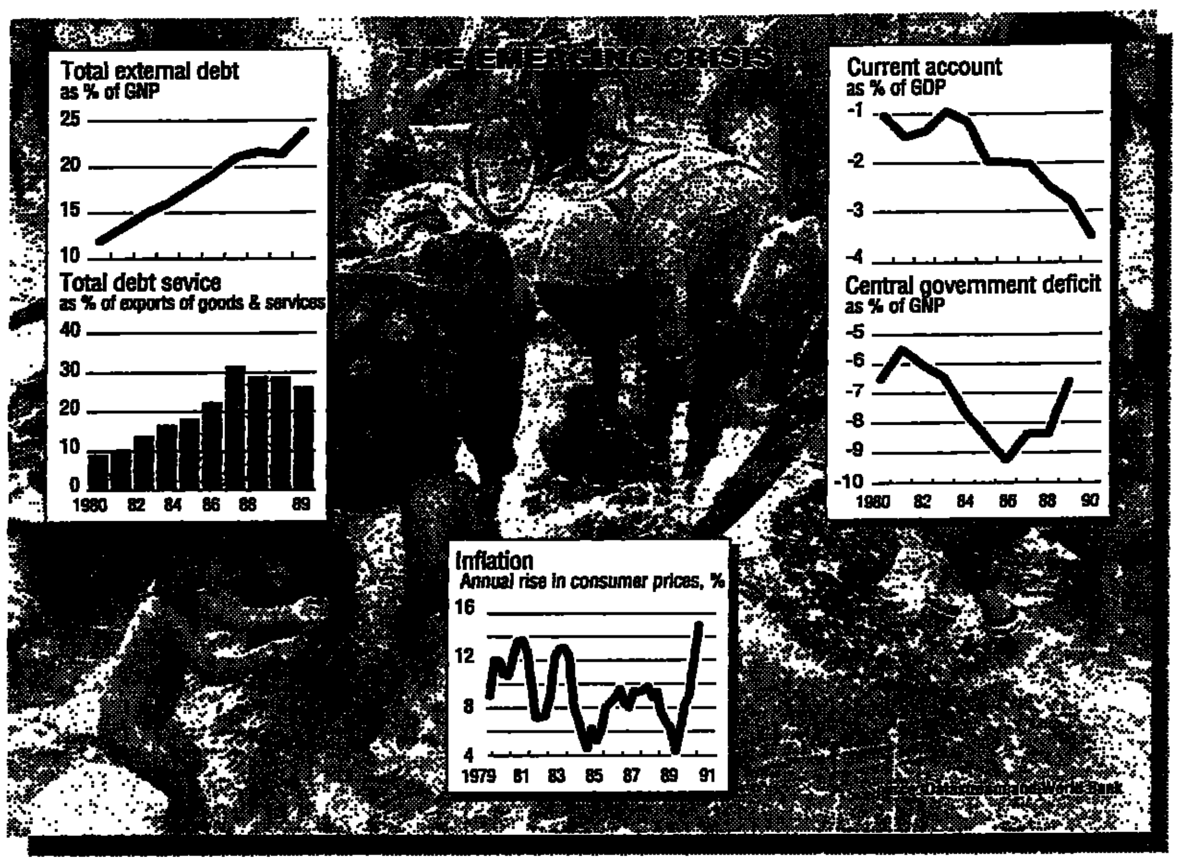
Before any decision can be taken on the status of the chambers, their relationship with the Training and Enterprise Councils (Tecs) needs to be more closely defined. The ABCC believes that the Tecs should concentrate on training and helping start-ups, while the chambers' strengths are in information, export support and in lobbying for their members.

The central question is whether the chambers do have a role to play in the community that demands some form of official status. The Effective Business Support programme, launched last October, appears to be making good progress. Several large independent chambers have affiliated to the ABCC and discussions are well advanced on the creation of a core network of 55 large regional chambers.

But no convincing case has yet been made for the granting of official status, and the impetus in this direction seems to be coming more from the Association and some of the larger chambers than from small businesses themselves. On the evidence available so far, the chambers should continue the process of reform – but under their own steam.

K K Sharma assesses the impact of the radical economic reform measures set in motion by India's minority government

Promising start down a rocky road



One of the most fragile governments in India's history has, paradoxically, started to make the bold economic policy changes that not even Mr Rajiv Gandhi's ostensibly more stable administration of the mid-1980s could risk.

The minority government of Prime Minister P V Narasimha Rao has realised that the widespread unwillingness to contemplate another election campaign has given it an opportunity for decisive action, while the danger of a default on India's $70bn external debt has provided an incontestable case for it.

Yet, even though the proposed reforms are a response to the balance of payments crisis, their content is far wider than stabilisation and export promotion. They introduce a long-discussed and widely-desired, if still limited, liberalisation and deregulation of India's sclerotic economy.

The liberalisation appears decisive, at least by Indian standards. But the projected reduction of 2 percentage points in the budget deficit as a share of gross domestic product does not, by almost any standards. None the less, the International Monetary Fund is likely soon to announce a loan to ease India's current balance of payments crisis. The IMF's response reflects India's importance and an appreciation of its changed policy stance at least as much as the stringency of the proposed stabilisation.

Mr Michel Camdessus, the IMF managing director, has welcomed the reforms, "including the initial stabilisation measures and the initiation of a more liberal trading system. We want to continue supporting India's efforts to strengthen its balance of payments and build the foundations for strong and sustained growth."

But is what the government intends to do enough? Will it even be allowed to do what it intends? These questions retain their force. Nevertheless, what has been done is significant. For that two pivotal figures must take the credit: Mr Rao and Dr Manmohan Singh, the new finance minister.

Of the two, Mr Rao has perhaps proved the more surprising. By giving Dr Singh the go-ahead, he has shown himself to be a far more astute political strategist than thought when he became the consensus prime minister of a minority Congress government nearly two months ago. Opposition parties can throw out the reforms only at the risk of toppling the government, which would entail yet another election only two and a half months after the assassination of Mr Gandhi during the last.

The result is that the Indian government has moved at an unexpectedly rapid pace. If the reforms go through – and they could still founder if Mr Rao permits the factional quarrels within Congress and rumblings from the opposition to get out of hand – India will finally have moved to end its 50-year isolation.

"The government is committed to macroeconomic stabilisation and structural reforms which will unleash the nation's latent energy to bring about accelerated development," said Mr Singh. "The country has been living beyond its means and adopting soft options. It must prepare itself to take hard and unpleasant decisions."

The need to secure a further IMF loan to shore up India's foreign exchange reserves, on top of the $1.9bn already in hand, has undoubtedly spurred the government into speedy action. But Dr Singh – a technocrat who has held almost every important official position in Indian economic policy-making – is not being disingenuous when stating that the reforms are in India's own interest. He has conviction inside him and the crisis behind him when acting to:

- Sweep aside the complicated regulations governing foreign trade, following a decisive two-phase devaluation of the grossly-overvalued rupee early in July;
- Welcome direct investment by multinationals;
- Dismantle the "licence raj" (reign by licences) on Indian industry – 84 per cent of industry has now been freed from licensing requirements;
- Partially free the financial system from controls on interest rates, and;
- Propose a more limited role for the public sector.

In addition, by reducing the fiscal deficit from 8.5 per cent of gross domestic product to 6.5 per cent, the government has made at least an initial step towards returning India to its historic fiscal conservatism.

None of this has been easy. Critics have lamented what they consider the shedding of Nehru's socialist model, based on self-reliance and a public sector that holds the commanding heights of the economy.

The reforms were also frowned upon by many bureaucrats who fought a brief but bitter battle against them, partly because of their vested interests in a government-regulated economy and partly because of conviction. Mr B K Modi, a leading industrialist, said: "I don't think the bureaucrats are going to change overnight. You can feel the resistance already."

But Dr Singh acted decisively, by telling senior officials that those who could not support the programme would be transferred. He was helped by the fact that many senior officials, particularly in the ministries of commerce and industry, have been unsuccessfully clamouring for deregulation for years. They feel the finance ministry has obstructed the process of liberalisation by exerting too great a control over economic life.

While the reforms have begun to have an impact, many are only statements of intent. Much has still to be done, including the implementation of what has now been decided. And although Dr Singh has cut subsidies and government expenditure, for example, and reduced the fiscal deficit, he has failed to introduce long overdue tax reform.

The minister has declared a virtual open-door policy for foreign investment by increasing the limit on foreign ownership of the equity in Indian joint ventures from 40 to 51 per cent, thereby assuring them of control. He has also suggested that they could be allowed 100 per cent ownership if high technology and an export commitment are involved. Yet foreign investment is still not permitted in key areas such as energy or oil and mineral exploration.

The Monopolies and Restrictive Trade Practices Act has been considerably liberalised and there are now no restrictions on fresh investments by the so-called "large monopoly houses" – companies with assets of Rs1bn. Nevertheless, industrial licences are still needed for some products including coal and cars.

Mr Rahul Bajaj, chairman and managing director of Bajaj Auto, a scooter maker, praised the lifting of most licensing requirements: "I know how difficult it can get to chase someone in New Delhi for a licence. Then some fool delays the whole project by procrastinating, because he wants something for himself, or a thousand other things. But now I think things will change."

The government has retained the right to reject projects that require more than Rs20m-worth of capital goods imports. Critics contend that this means licensing has been saved through the back door. But Dr Singh has promised that the Rs20m limit will be raised and even removed when the foreign exchange position improves.

Many entrepreneurs and economists say there should be no industrial licensing at all, even in the atomic energy and defence industries. So far, the government has kept these industries within the public sector and has made substantial purchases from private companies abroad. Commentators argue that private Indian companies should be allowed to compete freely in this area without needing a government licence. In any case there is a strong case for massive cuts in overall defence spending, of which a disproportionate share is on the unproductive maintenance of a 1.2m-strong army.

In the two crucial areas of the public sector and privatisation, the government needs to take bold initiatives. But the reforms virtually ignore both areas, mainly because the concept of a strong public sector is considered politically dangerous ground to tread upon. The government has, instead, retained ownership of the energy and mineral industries, both of which would benefit from domestic and foreign private investment.

There is also a strong case for denationalisation of the loss-making coal industry and for giving incentives to Indian and foreign companies to search for oil, production of which has stagnated for more than a decade. This has forced the government to increase oil imports and is one of the principal reasons for the current balance of payments crisis.

The public financial institutions are also in need of an overhaul, particularly the nationalised banks, which are notoriously inefficient. Although the Indian capital market is now well developed, funds for industrialisation would be easier to raise if the banks were denationalised.

Mr Ramesh Chauhan, chairman of the Parle group, a soft drinks company, said: "The policy on public sector disinvestment is disappointing. As far as the industrial policy is concerned, it should be separated from the foreign investment policy. Why should licensing be required for any industry where there is no foreign direct investment?"

Also absent from the reforms is a policy that would allow loss-making businesses, both in the public and private sectors, to close down. Painful decisions are involved, particularly because of opposition from trade unions and the left-wing political parties as a result of the feared impact on employment. The entire issue of industrial relations needs scrutiny.

Many industrialists think the government should have announced a competition policy on the British pattern. Although deregulation has been widely welcomed, a competition policy is required so that industry can be restructured and consumer interests protected.

Industrialists say the reforms have not gone far enough and they urge the ministry of industry to play a role that would help in the restructuring of industry by encouraging expansion, amalgamations and mergers while keeping a careful watch for the emergence of cartels.

In spite of the many gaps in the reforms, it is difficult to deny that the present liberalisation has finally given market forces a chance to operate more freely. This has presented Indian entrepreneurs with a challenge for which they have long been clamouring.

Mr S K Birla, president of the Federation of Indian Chambers of Commerce and Industry, said: "The industrial policy is the first major step in what is necessarily a continuous process of deregulating the economy. Many retrograde restrictions have been either removed or amended, and the conditions created for a market-friendly system."

Industry has at last been given an opportunity to prove its claim that the country nurtures entrepreneurs of high quality, ingenuity and flexibility. However, many Indian industrialists still lack the confidence to face competition, both internal and from foreign companies, and they are already pressing the government to go slow, at least on changes in foreign investment policy.

But most observers think this response reflects fear of change stemming from years of living within a system of harsh regulations, however frustrating. Painful adjustments are inevitable now that the government has begun the process of reform. Dr Singh says that while the government plans to go further along the same road, the pace will be slower, and that it will take three years for results to show up in the economy.

The question is whether he will have the time he needs. Both Dr Singh and the prime minister will have to show skilful management of the Congress and the opposition. The government may also find that it faces a far from unprecedented policy dilemma: without successful stabilisation, liberalisation usually founders; but the pain imposed by stabilisation can make the government founder, instead. The government has made an excellent start. But both luck and much determination are needed for ultimate success.

OBSERVER

Launch of a princess

■ And the winner is...Margaret Thatcher in "Crush the Communists." There was a distinctly surreal showbiz air, reminiscent of the Hollywood Oscar awards, at P & O's New York dinner for Britain's ex-prime minister.

It was partly the setting - on board a glitzy, brand new P&O cruise liner. Partly the appearance on video-tape of former President Ronald Reagan, plus a list of celebrities like Henry Kissinger.

Naturally, there was an Oscar-like gift - a silver world globe - presented by one of her greatest admirers, P & O 's Lord Sterling. In return Mrs Thatcher named the latest addition to P & O's growing US cruise fleet – the Regal Princess. Nice touch.

Unlike in Britain, Mrs Thatcher remains nearly universally popular in the US, and the tributes to her from the likes of Kissinger and Charles Price, former US ambassador to London and Hanson board member, underlined why. She is the Iron Lady who helped America whup the commies.

Mrs Thatcher herself played the role of elder statesperson, with barely a mention of contemporary Conservative politics. Dwelling on the importance of human character in politics down the ages, she made grand references to the Roman and British empires and declared ringingly that "the US and Britain have together been the greatest alliance in the defence of liberty and justice that the world has ever known." Cue music, lights, fireworks at the Statue of Liberty.

Sinking fund

■ Still on the subject of Mrs Thatcher's buccaneers, the news that Trafalgar House's Sir Nigel Broackes has sold £6.5m worth of shares in the company he founded is mildly disconcerting.

Trafalgar House is the most lowly-rated stock in the FT-SE 100 index – it yields 11.4 per cent – and the sight of Sir Nigel cashing in the bulk of his holding at such a lowpoint in the company's fortunes is not the most reassuring signal to those shareholders who have stuck with the company through thick and thin.

Admittedly, he is reinvesting about a third of the money by taking up his rights in the more tax-efficient "A" shares, and promises to make further purchases. But it imay be a sign sign that the 57-year-old Sir Nigel is losing interest in his empire.

Meanwhile Sir Eric Parker, Trafalgar House's chief executive, may be doing a splendid job but his personal stake in the company is a very modest £7000.

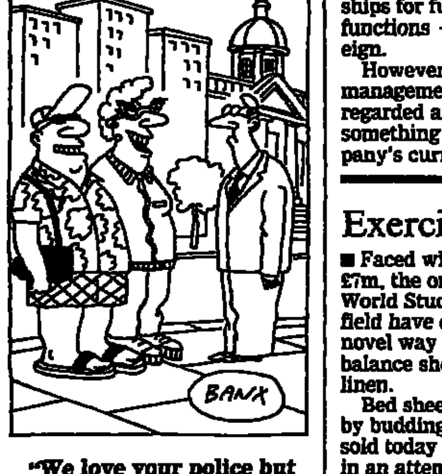
Now if only Sir Eric were to sell his Grand National winner and reinvest the proceeds in his company... that would be a buy signal.

Greek drama

■ To lose one cruise ship is unfortunate. To lose two, smacks of carelessness. But to lose three in the space of three years - has the makings of a corporate disaster. Indeed, the future of Epirotiki Lines, owners of the ill-fated Oceanos, looks increasingly uncertain.

Andreas and George Potamianos, the brothers who own over a quarter of Greece's cruise ship fleet, were already considering selling their dozen ships, some months before the Pegasus, another elderly Epirotiki vessel, caught fire and sank off Venice in June.

Epirotiki, which offers "cheap but cheerful" cruises, invented the Greek cruise ship business. The Potamianos' father was Greek minister of merchant marine as well as



"We love your police but we worry about the Bank of England."

president of the Greek Passenger Shipowners Association, a post which is now held by Andreas. Although it is impossible to find hard financial information on the fortunes of Greek shipping tycoons, Epirotiki seems to have been having a difficult time.

The slump in east Mediterranean cruising in the past few summers – at first caused by fears of terrorist attack, then by recession – has been compounded by the increasing obsolescence of their passenger fleet.

Tough competition from the new luxury liners has forced the Potamianos' fleet to look further and further afield for business, taking them into areas like time chartering to smaller operators in South Africa.

Andreas is the more mysterious of the two brothers. He has a reputation for political wheeling and dealing. By contrast, George is the cultivated one, making the rounds of European music festivals and composing on an electronic synthesiser in his spare time.

Although not in the same league as the Latsis, Niarchos and Goulandris dynasties, the Potamianos family are well respected on the Athens social circuit. They often lend their ships for fund-raising charity functions – domestic and foreign.

However, their hands-off management style is less well regarded and may well have something to do with the company's current problems.

Exercise bargain

■ Faced with losses of up to £7m, the organisers of the World Student Games in Sheffield have come up with a novel way of repairing their balance sheet – sell the dirty linen.

Bed sheets used only briefly by budding athletes are being sold today at a public auction in an attempt to offset the £21.5m running costs of the games. Washed thoroughly to remove any lingering trace of athletes' foot, the items are offered in nearly-new condition.

Bidders can take their pick from 15,000 bed sheets, 20,000 towels, 8,000 pillow cases, 3,000 sets of curtains and 1,250 beds. Bargain-hunters in the south Yorkshire steel town are almost guaranteed a prize: pillows start at 50p with beds, some specially designed for 7ft basketball players, on offer at £125.

The cost to the organisers of this price-cutting exercise: £150,000, roughly a 30 per cent reduction.

Cold Calling

■ A word of advice from my pal Burglar Bennie, on the merits of fitting one of those new-fangled car radios which are coded. Forget it.

He's not impressed by the claim that if they are stolen they won't work for anyone else. His advice, buy a second-hand one cheap and pop it into the deep freeze for a while. That'll decode it.

Scandals and industrious tax inspectors are keeping former high-spending buyers out of the galleries, says **Stefan Wagstyl**

Dry season for the Japanese art market

Mr Kiyotaka Kori remembers a day last year when a stranger walked into his art gallery in a fashionable district of Tokyo, looked around for a few minutes, pointed to a Renoir drawing and said he would buy it. The next day the man returned with Y100m in cash.

The peak of the Tokyo art market now seems like a dream to Mr Kori, manager of the Aska International gallery. "I shouldn't say that things are bad, because that sounds bad. But it is very, very quiet." Aska was once one of Tokyo's most prolific buyers of high-priced art: 100 Renoirs and 20 Monets lie in its vaults and not one has been sold since November.

From Tokyo, London and New York, the reports are the same: the Japanese buyers who surprised the international art world with the scale of their purchases of high-priced French Impressionist and modern paintings in the late 1980s have gone to ground. At Sotheby's important spring auction of Impressionist works in New York, not a single painting was bought by a Japanese.

In the virtual absence of Japanese buyers, the prices of Impressionist paintings have dropped 36 per cent in the past year according to Sotheby's and the prices of modern (20th century) works have fallen 32 per cent. Dealers say it could be years before the Japanese start buying large numbers of $1m-plus paintings again.

The worldwide rise in interest rates and squeeze on bank lending have discouraged them from making further forays into the market at the moment. They are also scared of the bad publicity generated by the bankruptcies of several speculative purchasers and dealers and by a slew of scandals, one involving Mitsubishi, the trading company, and another concerning the trading group Itoman.

However, Tokyo dealers say some Japanese buyers are likely to return to the market once the storm subsides. The Japanese have not lost their passion for western art. "The money is still there," says Mrs Kazuko Shiomi, president of Sotheby's Japan office.

Rich Japanese companies and families were collecting art long before the Second World War. After 1945, their successors started over again, concentrating first on Japanese artists and later turning to modern western works. By the early 1980s, it was not unusual for well-established Japanese collectors to pay $1m for a Renoir.

The long-standing buyers were museums, large companies collecting works to adorn their offices, and the owners of small businesses. Celebrities peppered the gallery customer lists, among them Mr Ryoei Saito, the chairman of Daishowa Paper, one of Japan's largest paper groups. He was forced in the early 1980s to sell his collection, including his treasured Chagalls, when his company was rescued by Sumitomo Bank. When Daishowa recovered, he took revenge and sacked the bank.

Collectors mostly buy their works from Japanese dealers, many of whom have galleries in small streets in the glamorous Ginza district of Tokyo. In this cosy environment, there are no public auctions and few surprises on price: collectors buy works on the understanding that they will appreciate by a few per cent a year. Dealers generally agree to buy back unwanted paintings from their customers. "There is almost a guarantee to buy back," says Mrs Shiomi of Sotheby's.

The late 1980s price explosion in Impressionist, post-impressionist and contemporary art tore through this comfortable world, fuelled by the money made in the Japanese land and stock markets and a supply of cheap bank credit. Yasuda Fire and Marine, a leading insurance company, started a record-breaking spree in 1987 by paying £22.5m for Van Gogh's Sunflowers at auction in London. Other top companies followed suit: Mr Yoshihisa Tabuchi, the former president of Nomura Securities, was frequently photographed in front of the company's Renoir. Among the eager buyers was Mr Saito of Daishowa, who had vowed to rebuild his collection in the wake of the company's recovery. In a single month last year, he paid $160.1m in New York for a Renoir cafe scene and Van Gogh's portrait of Dr Gachet. In his triumph, he jokingly threatened to have the paintings burned when he died, just to show that no one – least of all Sumitomo Bank – could take them away from him.

Museum directors complain that speculators drove them right out of the market. "We could not compete with those crazy people," says Mr Nobuo Abe, chief curator of the Bridgestone Museum, a well-regarded private collection open to the public. Some Japanese buyers paid sky-high prices for low-grade paintings. "I told them to buy one good work instead of 10 mediocre ones. But they didn't listen," says Mrs Shiomi.

Others took her advice, only to hang their paintings in wildly inappropriate settings. Yasuda's Sunflowers hangs in a room on the 42nd floor of the company's head office, surrounded by the works of a minor Japanese artist favoured by a former Yasuda chairman. "Sunflowers in the middle of trash," says Bridgestone's Mr Abe. At least the Van Gogh hangs in a gallery: Mr Tomonori Tsurumaki, owner of Nihon Autopolis, a racing car circuit, has displayed his sublime $52m Picasso – Pierrette's Wedding – in a hall at the side of his track.

As the market mushroomed, the total value of paintings imported into Japan soared 66 per cent last year to $3.4bn. The 500 or so long-established galleries which belong to the Tokyo Art Club found themselves challenged by scores of newcomers. The old guard dealers accuse the new galleries for bidding up prices indiscriminately, supplying speculators and driving traditional buyers out of the market. "Outsiders came in and messed everything up for us. It's an embarrassment," says Mr Tatsuo Hirano, president of the Shinwa gallery.

'Sunflowers in the middle of trash,' says a gallery curator about the setting of Van Gogh's work, surrounded by those of a minor Japanese artist

Aska International, established in 1985, is one of the prime targets of the long-established dealers' criticism. They accuse the gallery's owner, Mr Yasumichi Morishita, of flooding the art market with his cash. Mr Kori denies this. "At auction we only ever bid more than the estimate on one or two occasions. It's the banks and the big companies which pushed up prices. They're 10 or 100 times bigger than us."

Other dealers could not care less about offending the Ginza old guard. Among them was Mr Masuhiko Sawada, a successful car salesman, who went into art in 1974 and established Urban Gallery, with outlets in Tokyo, New York and Paris. Mr Sawada boasted: "I'm going to sell massive volumes of paintings, like I sell cars." Supported by loans secured on the value of his profitable Toyota Motor dealerships, Mr Sawada bought pictures wholesale and accumulated borrowings totalling Y150bn before Urban Gallery went bankrupt earlier this year.

The huge amounts of money flowing through the market attracted buyers with ulterior motives. Art has long been used in Japan as a means of hiding family and corporate wealth from the eyes of creditors and taxmen. Tax inspectors looking at a picture are rarely able to assess its true worth, particularly in the case of Japanese art, where prices are not set in an open auction but in private transactions. As Mr Hirano says: "Our industry has always had an underground side... These people are not necessarily criminals or gangsters. Tax evaders are far more common."

In the wake of the collapse of the price-boom, financially hard-pressed buyers and dealers have been unable to prevent details of their financial affairs leaking into the open. Two incidents stand out – the Itoman and the Mitsubishi Corporation affairs.

Itoman, an Osaka-based trading company rescued from the brink of bankruptcy by Sumitomo Bank in the late 1980s, had bought high-priced art to the tune of Y67.7bn. Officials of the Osaka District Prosecutor's Office are now investigating allegations that one transaction – a Y55.7bn deal to buy paintings by Modigliani and others – was used to siphon funds out of Itoman. Public prosecutors have established that the paintings were worth only half the purchase price and two men have been charged with breach of trust.

The Mitsubishi Corporation affair involves the purchase of two Renoirs – After the Bath and Young Girl Reading. Mitsubishi initially insisted that it bought the paintings in March 1989 for Y3.6bn from two Frenchmen. Japanese tax officials replied they can find evidence of a deal worth only Y2.1bn and can find no record of the two Frenchmen entering Japan. Later Mitsubishi said it could not account for the missing Y1.5bn and put the money down as "entertainment expenses" in its accounts.

The paintings were sold to Soka Gakkai, a Buddhist group which runs two museums and 15 exhibition halls and spends an estimated Y20bn-Y30bn on art a year. Mr Daisaku Ikeda, the group's leader, is one of Japan's best-known art collectors.

Dealers say scandals have done more than anything else to keep Japanese buyers of high-priced art out of the galleries. Some fear that they might be next on the taxman's list; others simply do not want to put money into a market where published prices may not be all they seem. "Scandals are having a huge effect on business," says Mr Hironobu Okada, sitting in front of a $10m Monet, hanging in his gallery, Art Point.

No one is sure when the market might recover. Six months, says Mr Okada, who thinks that interest in the scandals will die during the hot Tokyo summer. Not so, says Bridgestone's Mr Abe: he believes it might take two years.

But dealers and collectors are convinced that eventually Japanese buyers will be back. As long as the Japanese economy continues to grow faster than the US and Europe, it is likely that the Japanese will want to possess what Americans and Europeans also possess – including art. As Mr Akira Egashira, a manager at Galerie Tamenaga, says: "This is the age of Japan."

Watchdog must be ready to bite

Barry Riley on proposals for changing investments marketing

A friendly watchdog is a contradiction in terms. Already, the Securities and Investments Board (Sib) has surprised the investment industry with its relaxed attitude to such murky areas as broker bonds and soft commissions. Now it faces another test over the marketing of investment products.

Through the sultry days of August executives of Sib are settling down to produce a formal consultative document on the retailing of investments. They are doing it with the benefit of more than 100 submissions from interested parties.

It is apparent that there is fierce resistance to the hint in Sib's agenda-setting five-page paper in April that polarisation – the division between independent advisers and tied firms – might be modified. The suggestion was that firms of intermediaries might be permitted to establish ties to a number of different providers of products – the "multi-tie". Industry opinion is that the public should be given more time to understand polarisation.

Industry resistance is not surprising. Independent financial advisers would not welcome the new conflicts of interest involved in multi-ties: they regard independence as their unique selling proposition. The big direct-selling life offices would have little to gain and much to lose if their salesmen were attracted to the idea of selling several brands.

The big banks and building societies, short-sightedly, are too absorbed in their attempts to set up their own in-house life insurance companies to see that multi-ties might at last offer them the chance to become financial product supermarkets. Their bureaucrats are reluctant to restructure systems painstakingly built up. Only building societies outside the top 10 seem drawn to the multi-tying idea.

But Sib cannot simply reconfirm the *status quo* on polarisation. The framework first worked out in 1986 and then implemented in 1988 has led to a serious shrinkage in the availability of independent advice. This rapid swing towards one-product salesmen rather than multi-brand independent financial advisers was unintended.

The multi-tie compromise always brought its own problems, but a hostile reception does not mean that it is an inappropriate solution. In an industry characterised by intense vested trade interests any solution which is in the interests of the consumer is all too likely to be howled down. It is not enough for Sib to seek an agreeable compromise, it must be prepared to fight.

Unfortunately it looks as though its preferred initiatives may take it in the wrong direction. It will level the playing-field between independents and salesmen by drawing back from attempts to force independents to disclose the size of commissions more effectively. True, there will apparently be even-handed proposals to require intermediaries of all kinds to make more easily comprehended disclosures of costs and charges. However, this is another stage in a long battle which so far the life insurance industry has won.

For instance, the life companies at present enthusiastically support the "reduction in investment yield" concept which seeks to wrap up all policy costs as an annual percentage deduction, related to the final payout. Admittedly, it has certain merits, notably comparability if the calculations are done properly. But its main appeal to the life companies is simply that it is a small percentage number. A figure of, say, 2.5 per cent appears modest. But if 5 per cent is a reasonable long-term real yield to expect on investments, the 2.5 per cent would represent a 50 per cent reduction in return. Put that way, it is not such a hot selling platform.

Some radical thinking from Sib would be welcome. It is not obvious, for example, that the same polarisation rules should apply to big banks as to small firms of independent advisers. Getting independent advice back into the high street may require flexibility. Unless Sib knows where it wants to get to, and is prepared to fight, it will be driven somewhere else. Indeed, this has been the story of retail regulation since the Financial Services Act was drawn up.

LETTERS

Insurance stance on Aids vindicated

From Mr John Lockyer.

Sir, Scheherazade Daneshkhu attributes particular criticism ("Life Insurance for Gays", August 3) of the life insurance industry's lifestyle questionnaire to the Institute of Actuaries working party on Aids. This misinterprets the working party's views.

Indeed, in its bulletin published in March, the working party noted that the continued use of the lifestyle questionnaire appears to be vindicated by the fact that two-thirds of newly-reported cases of HIV infection are from among the homosexual community. The recommendation of a switch of emphasis has to be set against the context of a bulletin which discusses the possibility of more widespread infection in the heterosexual community. If that event comes to pass the insurance industry may well need to review its procedures.

As yet there is very little evidence, either in Europe or the US, of an appreciable level of infection among sexual partners where neither is a member of one of the recognised risk groups. The working party is charged with looking to the uncertain future of the epidemic; the insurance industry has the delicate task of making commercial judgments in the light of today's realities as it sees them. If life insurance underwriters believe there is insufficient evidence to justify a change of direction we should not criticise them.

John Lockyer,
chairman,
Institute of Actuaries Aids Working Party,
Leadenhall Street,
London EC3A 2PQ

Urban cycle

From Ms Rona Wightman.

Sir, The urban vehicle concept which was outlined by D G Tipping (Letters, August 6) is fulfilled by something that has been around for some time, namely the pedal cycle.

Rona Wightman,
22 Hurtwood Road,
Walton on Thames,
Surrey
KT12 3QT

India's needs: less of the textbook and more aid

From Parviz Dabir-Alai.

Sir, Your leader, "Perestroika in India", is a classic example of good analysis followed by an unworthy conclusions. You state that, given its fragility, the Indian government should "go further and.. still faster" in its attempts to liberalise the economy by disbanding subsidies (such as those on fertilisers) and other manifestations of control prevalent there. This textbook-like conclusion, like many of its type, is a recipe for disaster as it ignores the concerns of the myriad interest groups found across rural and metropolitan India. To ignore the wishes of any electorate in the pursuit of economic liberalisation alone is bound to be politically dangerous as evidenced by Rajiv Gandhi's defeat in the Haryana elections of May 1987.

Your contempt for the decision partially to reinstate the fertiliser subsidies is insensitive as their principal objective has always been to underwrite incomes of marginal and lesser able farmers. Removal of such subsidies will immediately jeopardise the livelihood of millions. This is not to anyone's interest, least of all to a government suffering from political fragility.

Parviz Dabir-Alai,
lecturer in economics,
Division of Business Administration and the Social Sciences,
Richmond College, London.

From Messrs John Toye and Michael Lipton.

Sir, Your leader of is right both to congratulate the minister of finance, Dr Manmohan Singh, on his courageous moves towards stabilisation and liberalisation, and to warn that they may not go far enough. Unfortunately, you recognise neither the past achievements and improvements in Indian economic policy, flawed as these have been, nor the complicity of the western world in the flaws.

From 1947 to the early 1970s, the Indian economy crawled forward at just over 3 per cent per year – about 1 per cent per person. The proportion of Indians below the national "poverty line" fluctuated around 50 per cent. Comparable figures now are about 5 per cent yearly, that is, almost 3 per cent per person, and those below the poverty line are now less than one in three. Government policies and programmes played a major part in these improvements. They took place in an economically hostile world environment, and largely in a fully democratic framework.

However, India has also been experiencing a huge expansion of public-sector deficits. This trend was stimulated by the policies pressed upon India by western donors in the early 1980s.

At that time, India was strongly encouraged to reduce its borrowing from concessional sources, such as the International Development Association, and instead to borrow heavily from banks at commercial rates. Progressively, monetary and fiscal caution was borne down in a flood of easy, but expensive, commercial paper, on which debt service had to be raised through the public budget.

India now needs greatly expanded flows of concessional aid, not only as a reward for liberalisation, but also to support a reformed and expanded role for the state in its appropriate functions of providing infrastructure and social services for continued growth and poverty reduction.

John Toye and Michael Lipton,
The Institute of Development Studies,
University of Sussex,
Brighton BN1 9RE

Relate high pay to insecurity of tenure

From Mr Derek H Broome.

Sir, Christopher Hood and Chris Tinder (Personal View, August 6) should consider the market principles of remuneration before advising prime ministers or anybody else to raise their pay. The only valid reasons for paying one person more than another are relative scarcity of skills and qualifications. The Review Body has the wrong terms of reference.

Monopoly rents are of course earned where there is little market and few performance measures – in boardrooms as well as the public sector – and clearly there is little relationship between performance and pay in such cases. Arguments based on comparisons, or even incentives, can be shown to be largely fallacious; the answer is to make high pay, wherever earned, subject to total insecurity of tenure, dependent on performance, and with no golden handshakes.

It is improbable that the supply or performance of prime ministers is much affected by pay, nor is it evident that the country is better served now than when the office was held for little or no direct remuneration. The comparison between Messrs Wilson and Heath and John Major was perhaps particularly unfortunate. If the first two were paid relatively twice as much – did they perform twice as well?

Derek H Broome,
Potter's End,
Mears Ashby,
Northampton

What has become of the EEC?

From Mr Ian Macavoy.

Sir, In the argument on erosion of parliamentary control over the UK, little comment has been made on the original premise upon which our application for membership was made. That we were to join the European Economic Community.

Similarly, in the subsequent national referendum on continuing membership, the pro-marketeers' main argument in favour was of economic benefits accruing to the UK, and the cost of withdrawing. No argument was made by them in favour of devolving parliamentary power to the EEC.

I am now ashamed to say that I voted in the referendum for continuing membership of the European Economic Community. But in recent years the title of that has been changed to the European Community, a completely different animal for which I did not vote. The "manifesto" of Mr Heath and pro-marketeers effectively sold the nation a pup.

Ian Macavoy,
Wantage Hall,
Upper Redlands Road,
Reading, Berkshire

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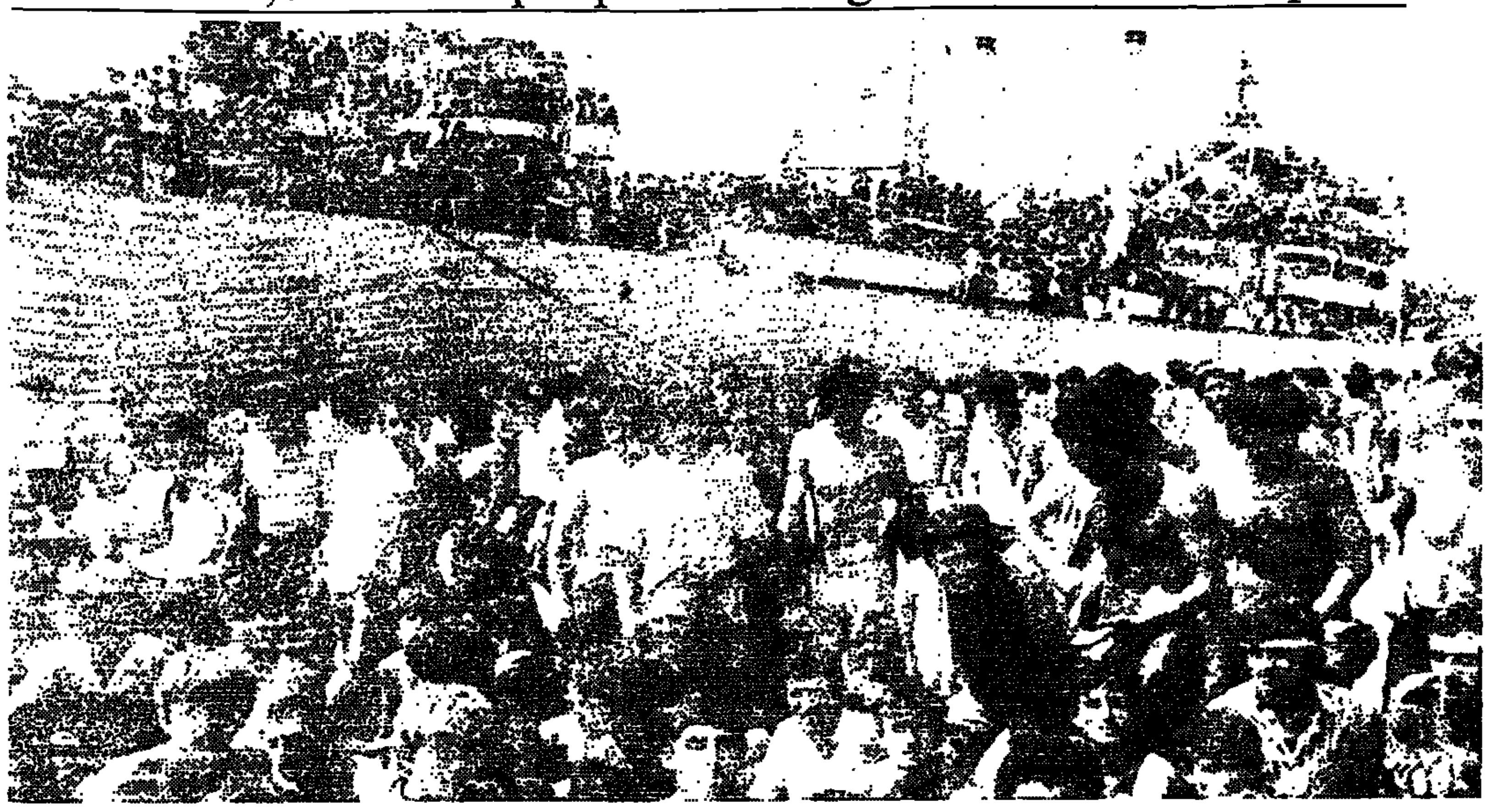
FINANCIAL TIMES
Friday August 9 1991

At least 20,000 'boat people' heading towards blocked ports



Europe's 'boat people': Many jumped overboard and swam ashore after the freighter Vlora forced its way into the southern Italian harbour of Bari

Italy acts to repel influx of Albanians

By Haig Simonian in Milan

AT LEAST 20,000 would-be refugees from Albania were yesterday blocked in Italian ports or sailing towards Italy as the Rome government grappled with the latest wave of Albanian "boat people".

In Tirana, Albania said it had halted passenger trains to stem the exodus and the ports were under military control. At least 12 Albanians trying to leave the country have died in the past two days in dockside fighting in Albanian ports, according to Italian reports.

The Albanian measures came as thousands of their nationals arrived yesterday in the southern Italian port of Bari packed aboard the 8,000-tonne Albanian freighter Vlore in the hope of gaining asylum.

Many jumped overboard and swam ashore as the vessel forced its way into the harbour.

Several Albanian ships, including the country's biggest merchant vessel, were making for ports along the Puglian and Calabrian coasts.

An estimated 11,000 refugees are on vessels heading for Otranto, while officials at the port of Brindisi said some 8,000 Albanians were aboard two ships just offshore.

While Italian officials coped with frenetic scenes at Bari, the Maltese government allowed two ships carrying more than 600 Albanians to enter the Grand Harbour in Valletta.

The Italian government met in emergency session on Wednesday night and announced measures to halt the inflow. It was decided that any Albanian immigrants entering Italy illegally would be repatriated immediately and ships carrying Albanian refugees would be stopped before entering Italian waters and escorted out to sea.

Vessels which entered Italian waters with illegal immigrants would be sequestered and their captains charged with trafficking in illegal immigrants, the authorities added.

An Italian delegation flew to Tirana yesterday for talks with the Albanian authorities. The Italian government is to increase its planned health and food aid.

Such missions have gone to Tirana with similar promises in the past, winning a temporary lull in the refugee wave. However, this week's renewed onslaught on Albania's ports indicates that the principal causes behind the country's problems remains as strong as ever.

On Wednesday, 981 Albanians refugees were arrested at various points along Italy's Adriatic coast and ferried home.

The Italian government has set up an inter-ministerial crisis team to co-ordinate repatriation. "We must make them go back, but in a humane way and with respect for international norms", one minister said.

The interior ministry has ordered local authorities to requisition vessels to repatriate the immigrants and has called on the ministry of defence to provide military aircraft. Civilian aircraft may also be requisitioned, it said.

The latest exodus from the economically crippled Albania followed a rush of would-be refugees earlier this week on the country's ports, now sealed off by police and army units to prevent a repetition of events last March, when refugees stormed waiting vessels.

Italy is sheltering at least 25,000-30,000 Albanians, most of them in the economically depressed south. Government plans to allocate quotas and share the refugee burden among local authorities throughout the country have run into opposition, notably in central and northern Italy.

A deadline to repatriate at least half the 24,000 refugees who arrived last March was allowed to pass at the end of last month, with only limited action being taken.

The Italian authorities had originally said they would deport all those who had failed to find work or qualify for political asylum. But deportations have so far tended to be limited to those charged by the police, mostly for misdemeanours such as shoplifting.

Friends' elation tinged with sadness for other hostages

By Andrew Jack in London

POSTERS around London with the message "John McCarthy still counts" were being hastily over-pasted yesterday with strips saying "Welcome home, John" and – in a sober reminder – "Let's remember the other hostages."

But the main mood among Mr McCarthy's friends and supporters was of celebration at the news that, after many false hopes, he had been freed after 1,943 days in captivity.

Several hundred people packed into St Bride's, "the journalists' church" in London's Fleet Street, for a service of thanksgiving for the release.

Mr McCarthy, 34, a London-based editor for Worldwide Television news, became the youngest western hostage when he was seized in Beirut while heading for the airport for a flight back to the UK on April 17, 1986.

He appeared on Syrian television yesterday looking fit and composed. "I would like to thank all those people who have done so much for me over the past five years and the people who have supported this campaign. My heart is very grateful for all their efforts," he said.

Asked what he now planned to do with his time, he responded: "Everything."

His supporters in the UK were elated. "After 5½ years of waiting and working for something to happen, life and time can start moving, things can start moving forward again," said Ms Jill Morrell, Mr McCarthy's friend who led the campaign for his release.

The Friends of John McCarthy kept the journalist from being forgotten, using an elaborate series of events. Not all the tactics gained universal approval, and the organisation lost patience with what they saw as a lack of British Foreign Office commitment early on.

A television film put together this year showing a silent montage of released hostages being reunited with their families was banned by the Independent Broadcasting Authority because it was deemed to be a political advertisement.

Large posters of Mr McCarthy with the word Wanted were put on billboards around London courtesy of the advertising agency Bartle Bogle Hegarty, which offered its support without charge to the Friends.

Bartle Bogle Hegarty, the London advertising agency responsible for such campaigns as Levi's jeans and Nat-West Bank, has been involved with Friends of John McCarthy for three years.

It provided its services free – and persuaded a large number of associates such as printers and photographers to do the same – to mount a campaign involving press advertisements, cinema commercials, or posters on each anniversary of Mr McCarthy's capture.

A new poster campaign was launched only last week, and BBH hopes to replace the posters by today with ones welcoming Mr McCarthy home but urging the public not to forget the other Lebanon hostages.

The mood was not entirely cheerful. Mr McCarthy may not have known that his mother Sheila died of cancer last year, after her request that she be reunited with her son before she died had been ignored by his kidnappers.

Foreign Office minister Douglas Hogg said Britain had made no deal for Mr McCarthy's release, but would put immediate pressure on Israel to release several hundred Palestinians and a kidnapped sheikh in south Lebanon to help get the remaining western hostages freed.

John McCarthy released after 5 years

Continued from Page 1

or missing in action in Lebanon are included in the negotiations.

The Israeli authorities acknowledge that they kidnapped Sheikh Abdul-Karim Obeid, the Lebanese Shia Moslem Hizbollah leader, in a helicopter raid in southern Lebanon in July 1989 in order to use him as a bargaining counter.

Israel holds several hundred other Lebanese Shias. Some are in Israel, but most are detained in the al-Khiam prison in the strip of southern Lebanon controlled by Israel and its surrogate, the South Lebanon Army.

The Israelis say they are ready to hand over Lebanese prisoners in exchange for the lost soldiers but are unwilling to include Palestinian detainees in any agreement.

"We will not be prepared to free anyone under our control until we are convinced that our soldiers would be included in such a deal," said Mr Uri Lubrani, who handles Lebanese affairs for the government.

President George Bush said that while he was pleased by Mr McCarthy's release and was happy for his family, "we reiterate our appeal that all hostages be released immediately, safely and unconditionally".

The White House said rumours persisted of the release of a US hostage but it had no direct information.

Mr John Major, the British prime minister, thanked Syria and Iran for their part in securing Mr McCarthy's release.

CSCE will attempt to convene peace talks on Yugoslavia

By Ariane Genillard in Prague and Laura Silber in Belgrade

DIPLOMATS attending the 35-member Conference on Security and Co-operation in Europe (CSCE) in Prague will attempt to seek agreement for convening an international peace conference on Yugoslavia.

The emergency session, attended by all the countries of Europe, the Soviet Union, Canada and the US, is being held at the behest of the European Community.

The proposed meeting, which will also seek ways at finding a lasting ceasefire in Yugoslavia, coincided with the virtual breakdown of last Tuesday's ceasefire after a member of Croatia's national guard died in a mortar attack.

Mr Stipe Mesic, the state president, who is a Croat, yesterday said: "I do not believe there will ever be a real ceasefire as long as those who want a Greater Serbia are behind it."

Mr Mesic insisted Croatia will make no territorial concessions, even though Serb nationalists control parts of Slavonia, in eastern Croatia.

According to Tanjug, Yugoslavia's official newsagency, Mr Borisav Jovic, Serbia's representative on the state presidency, said he would reject foreign forces monitoring any truce. "We have to solve it by ourselves," he said.

An EC initiative to monitor a ceasefire broke down last week. Germany, and several other countries placed responsibility for the breakdown of the talks on Mr Slobodan Milosevic, the president of Serbia.

Leaders from Serbia's opposition political parties earlier in the week blamed Mr Milosevic for blocking progress towards monitoring any ceasefire.

Following an emergency session of EC foreign ministers in The Hague on Tuesday to discuss the collapse of the EC's efforts, ministers sought wider international support for applying greater pressure on Yugoslavia's political leaders to implement a ceasefire.

Western diplomats in Prague yesterday welcomed the idea of setting up an international peace conference.

"If Yugoslavia stands in the way of a conference, it will mean that they are now alone in Europe and must bear the responsibility for this", said a German diplomat.

"The CSCE is the last body for trying to agree and prevent Yugoslavia from being pushed into a corner" he added.

British diplomats said the CSCE would add weight to the EC's determination to try and seek a ceasefire, and then pursue constitutional negotiations. "All the parties in Yugoslavia now have to do their bit to impose a ceasefire", a UK official said.

He added that the 12 EC member states should "be prepared, and if necessary, organise a round table conference, outside Yugoslavia".

Germany, Austria and the UK last night appeared anxious to push hard for such a peace conference. However it remains unclear what stance the Soviet Union – and indeed the political leaders in Yugoslavia – will adopt.

The Yugoslav delegation, which arrived late in Prague, delaying the opening of the conference by three hours, is headed by Mr Novac Pribicevic.

Diplomats said Mr Vladislav Jovanovic, the foreign minister of Serbia, and a representative from Slovenia are expected to attend as guests of the Yugoslav delegation. It was unclear if a representative from Croatia would sit with the Yugoslavs.

Croatia fighting masks Milosevic's moves, Page 2

WORLDWIDE WEATHER

[illegible]	[illegible]

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

BP does it the hard way

The most striking part of BP's interim statement yesterday was not in the official announcement at all. Contrary to rumour, BP told the assembled press, the company does not intend to have a rights issue in the foreseeable future. Given that a BP cash call would probably be for £2bn-plus, this may come as a relief to the market as a whole. For BP's shareholders it raises a different question. In the space of six months, BP's gearing on the conventional basis has gone from 57 per cent to 71 per cent. At this rate, how is the company to fund the development of its big new oil discoveries and at the same time keep its dividend rising?

In BP's defence, it should be said that some of the increase in gearing is the result of a rising dollar, in which most of its debt is denominated. The company has also been pressing ahead with acquisitions, notably Petromed in Spain, while its planned divestment programme of \$1bn-2bn this year has been pushed back into the second half. But the fact remains that in the first half, BP had no net cash flow from which to pay dividends. The picture is scarcely better on the earnings front, since the first half payment was only 0.6 times covered.

The root cause of the company's difficulty – its decision to buy back the Kuwaiti holding – is only partly of its own making. The holding, after all, was the direct result of the botched UK government sale in 1987. But the result is that without fresh capital, BP may have difficulty in raising its dividend in real terms unless the oil price rises. It is perhaps the less surprising that BP is considerably more bullish on the oil price than Shell.

Over the past decade, Shell's shares have outperformed BP's by some 25 per cent. Despite that, BP's yield premium over Shell has actually narrowed from 2 percentage points to 1.3. In other words, Shell's dividend has outpaced BP's by even more than its share price. Given the outlook, it might be asked why any long-term investor would choose to be in BP rather than Shell at all.

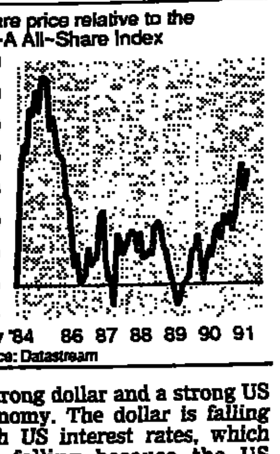
Markets

There is something faintly paradoxical about the FT-SE's rise back through 2,600 yesterday. The chief motive force was of course Wall Street, which is itself close to its high because of falling US interest rates. But for UK companies, US earnings are dependent on a strong dollar and a strong US economy. The dollar is falling with US interest rates, which are falling because the US economy is weak.

FT-SE Index: 2,600.6 (+3.2)

BT

Share price relative to the FT-A All-Share Index



Source: Datastream

There is nothing inherently wrong with the market responding to an easing of policy and looking ahead to the recovery which it is intended to produce. This is, after all, precisely what is happening in the UK. But in the case of the US economy, all that was supposed to have happened already. A double dip in the economy seems a poor excuse for a second leg to the bull market.

This does not necessarily mean that the UK market is overvalued. But in a period when further cuts in UK interest rates are on hold – and when the D-Mark is if anything ominously strong – it may be hard to make further headway. The market needs some confidence from UK company chairmen about signs of an upturn. This far into the interim results season, it is pretty clear it is not going to get it.

BT

The politics of regulation will no doubt loom large as the next general election draws near. But despite yesterday's ritual calculation of BT's profit per second and the inevitable outcry which accompanied it, the shares are more likely to be influenced by economic and technical factors over the next few months. With the duopoly review out of the way and the row over access charges resolved, Oftel has had its say for the moment. In any case BT's stock market performance should not be overstated. The company, after all, has only outpaced the market by 5-6 per cent since flotation, if the first day premium is left out of account.

One reason is that the old management was conspicuously slow to take a swing at BT's bloated costs. Yesterday's first quarter pre-tax profits increase of 11 per cent is a reminder that BT's chairman Mr Vallance and his team have no such inhibitions. Around 25,000 jobs have been shed in the last 18 months and at least another 10,000 are set to disappear this year. Nor will that be the end of it. Only a little over half the £390m provision set aside for the Sovereign restructuring project in March 1990 has been used so far.

If a spur to get to grips with overheads were needed, it is certainly provided by dull volume growth. The 12 month rolling average rate of increase in inland calls has fallen from 9 per cent in June 1990 to 3 per cent at the end of June this year. Growth in international call volume has dropped from 12 per cent to 5 per cent in the same period, though quarter on quarter the figure is more like 2 per cent.

The market will be looking closely for signs that the forthcoming price cuts can stimulate demand, while there may be more buying from institutions worried that they will be left underweight ahead of the Government sale. The shares have had a strong run this year, though, and a market average yield is traditionally as much as the company will bear.

Sotheby's

It seemed apposite yesterday to recall the old saying that Sotheby's are auctioneers playing at being gentlemen while Christies are gentlemen playing at being auctioneers. Given the dreadful art market the US house did well to make a first half profit, even though the figures were swelled by a job lot of Matisses where Sotheby's acted as principal. The lower salary bill owes more to disappearing bonuses than smaller payroll numbers. But even if overheads in the art business cannot be slashed as radically as in engineering, the 40 per cent fall in direct costs shows that there is scope to replace the champagne with sparkling wine.

It will be next month before Christies says how it fared in the first half, the expectation being that it will do no better than break even after profits of £40m last time. The unanswered question for the market is whether the cycle will come back, or whether the Japanese buying in the 1980s was a phenomenon never to return.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday August 9 1991

INSIDE

Mixed second quarter for Shell and BP

Royal Dutch/Shell, the Anglo-Dutch oil group yesterday reported a 12 per cent decline in net income to £653m ($1.1bn) while British Petroleum unveiled a 10 per cent increase in its second-quarter pre-tax income to £313m. Page 24

Wal-Mart rises again

Wal-Mart, the biggest US retail chain, boosted first-half after-tax profits to $652.8m on sales of $19.6bn. Page 21

Aer Lingus pre-tax profits fall

Aer Lingus, the Irish state airline, saw its pre-tax profits for the year ending March 31 1991 fall sharply to I£6.2m ($9.6m) from I£38.7m the previous year. Page 24

Smith & Nephew down 5%

Smith & Nephew, the international healthcare products group, yesterday reported interim profits 5 per cent down amid a sharp fall in consumer spending in the UK market. Pre-tax profits dropped to £59.3m ($100.8m) although sales rose 2 per cent at £364.2m. Page 24

Kleinwort recovers to £24.7m

Kleinwort Benson, the UK merchant bank, saw first-half pre-tax profits recover to £24.7m ($42m), although it was held back by continuing bad debt provisions. The figures show a marked improvement after the £90m loss in last year's second half. David Peake, chairman (left), described the result as "respectable". Page 24

Breathing life into Istanbul

The Istanbul stock market remains dominated by traditional merchant groups, which have a shrewd eye for short-term opportunities but regard stocks as just one of several ways of making money in a volatile and highly inflationary environment. Following recent sharp falls in shares values, the country's deputy prime minister and finance minister are now trying to breathe fresh life into the stock exchange. Back Page

Ninja Turtles fight the market

The crime fighting Teenage Mutant Ninja Turtles may have encountered their ultimate adversary – the Hong Kong stock market. Shares in Playmates Holdings, which markets the Turtles, fell 9 per cent yesterday after the company announced an 8 per cent increase in interim net profits. The figures were within expectations, but disappointed a share market which has become used to Playmates announcing six-fold increases in profits since the Turtles took the US by storm in 1989. Page 21

EMAP buys 3 Murdoch titles

EMAP, the UK magazine, newspaper and exhibition group, has purchased three consumer titles from Murdoch Magazines for £10m ($17.1m). Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
BMW (Br)	517	+	9
Continental AG	206	+	8
DLW	545	+	13
Varta	339	+	9
Wella Prf	692	+	8
Falls			
Kaufhof	457	–	8

NEW YORK ($)

Rises			
Avantek	4⅜	+	2⅛
Chemical Bank	27	+	⅞
Manuf Hanover	30½	+	1⅜
Tenneco	42⅛	+	2¼
Wells Fargo	73⅝	+	4
Falls			
HAL	7⅞	–	1½

New York prices as at 12:30.

PARIS (FFr)

Rises			
Bancaire Cie	522	+	12
Chargeurs	760	+	13
Paris R'compte	233.6	+	7.7
Rhone Poulenc	376.1	+	12.1
Falls			
Radiotechn	485.5	–	17.5
Skis Rossignol	676	–	14

TOKYO (Yen)

Rises			
Seirei Ind	1140	+	80
Sekonic	595	+	35
Tokyo Kisen	1400	+	100
Falls			
Fuji	900	–	70
Ihara Chemical	736	–	54
Sumitomo Rubbr	720	–	49

LONDON (Pence)

Rises			
Airtours	588	+	40
Albrighton	34	+	3
Avon Rubber	274	+	8
BOC Group	586	+	11
Beazer	91	+	10
Firth (GM)	26	+	3
GKN	360	+	11
Kenmare Res	13	+	2
Photo-Me	175	+	12
Racal Telecom	335	+	10
Wickes	52	+	3
Yorks Chem	483	+	11
Zetters	122	+	8
Falls			
Burns-Anderson	5½	–	2
CLF Yeoman	33	–	5
Greycoat	207	–	9
Invicta	89	–	3
Jacobs (JI)	39½	–	5½
Lloyds Bank	376	–	5
Savoy A	685	–	18
WPP Group	111	–	9

SKF profits fall 95% to SKr63m

By Robert Taylor in Stockholm

SKF, the world's leading roller bearings manufacturer, suffered a 95.3 per cent drop in its first six months' profits (after financial items) to SKr63m ($10.1m), from SKr1.34bn for the same period last year. However, it expects a slow recovery in performance during the second half of the year.

In the second quarter of this year, the company's profits were only SKr4m, compared with SKr622m for the April/June period of 1990.

Over the first six months, net sales declined 6.3 per cent to SKr13.786bn from SKr14.707bn. There was a loss of SKr2.60 in earnings per share, compared with an SKr6.65 earnings gain per share in the first six months of last year.

In spite of the poor figures, the company said it was heading in "the right direction". SKF predicted that its profits performance in the second half of the year would be broadly similar to last year's results for the same period, when the company made a profit of SKr435m in the third quarter and a loss of SKr28m in the fourth quarter.

SKF's renewed but cautious optimism stems partly from the first signs of a revival in demand for its products in the US, as well as savings from its rationalisation programme begun last winter.

The company has cut production levels by 20 per cent since 1990 and slimmed the labour force by around 5 per cent. The cost savings made in the first half of the year will ease SKF's position in the second half.

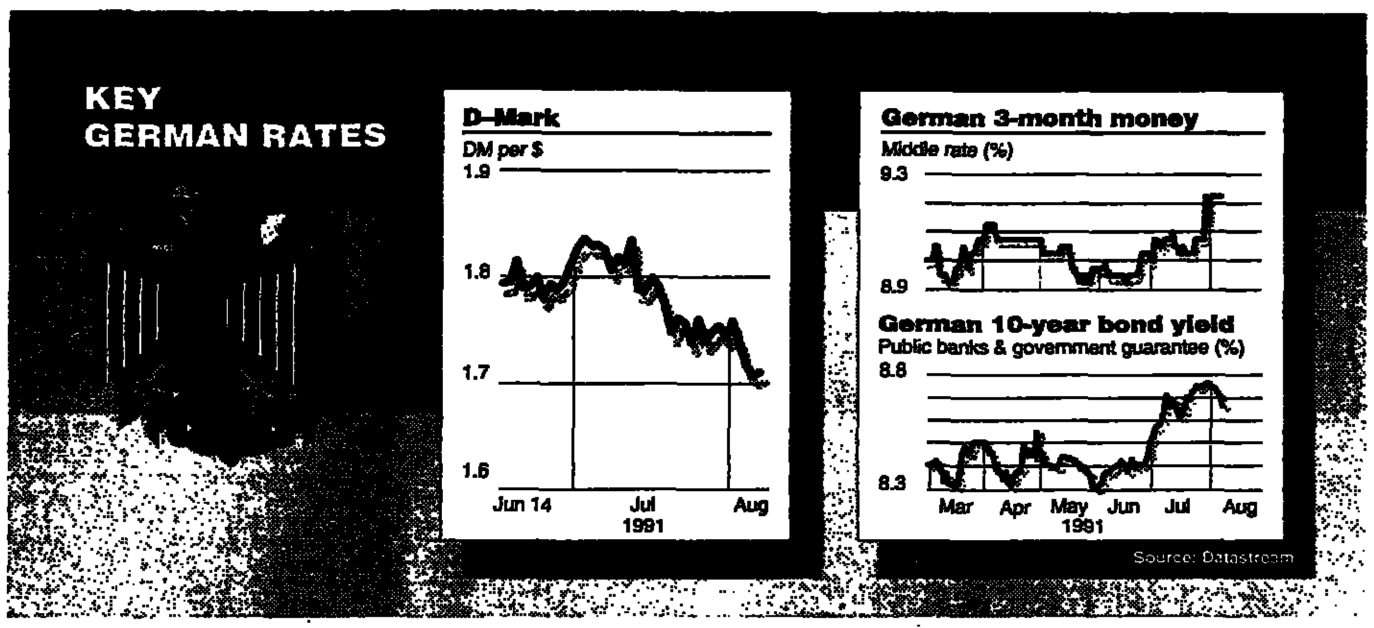
SKF's rolling bearings division suffered a particularly sharp drop in profits (after financial items) in the first half of the year, to SKr159m, compared with SKr1.095bn for the same period last year. Its sales were also slightly down at SKr11.01bn from SKr11.79bn.

In its tools division, the company made an actual loss of SKr35m in the first six months, compared with a profit of SKr57m for the same period last year, mainly because of a fall in the volume of sales to the UK and Sweden. However, there was a sharp increase in tools sales over the first half, to SKr1.109m from SKr703m, mainly because of SKF's recent acquisitions of Gunther in Germany and Union Butterfield in the US.

The company's components systems business suffered a loss of SKr30m, compared with a SKr187m profit for the first half of last year.

SKF said that after a prolonged decline, order bookings for textile machinery components and oil seals had improved.

Europe's eyes on the Bundesbank



The fortunes of currency and bond markets depend on the imminent path of German interest rates, report **Katharine Campbell** and **Sara Webb**

AS Bundesbank council members return from the holiday recess, speculation over a rise in German interest rates is building to fever-pitch. Most investors expect a rise in rates as early as August 15, the next policy council session and the first under the presidency of Mr Helmut Schlesinger.

The Bundesbank is clearly under pressure to act swiftly and curb inflation, which rose to 4.5 per cent in July. It has also given out clear signals in recent weeks that an interest rate increase is on the cards.

The market participants' question is whether the bank will move the discount rate, the Lombard rate, or both, and by how much. The discount rate, indicating the price at which the central bank buys in eligible bills from the banking system, has historically acted as the floor for interest rates while the Lombard facility provides emergency borrowing for financial institutions at what is supposed to be a punitive level.

Depending on the decision, the impact on all European currency and government bond markets could be considerable. The various possibilities are outlined below.

● The Bundesbank leaves both the Lombard and discount rate unchanged.

The only reason for such a decision would be a desire to wait for August inflation data. Leaving interest rates unchanged would be bad news for the D-Mark and the German government bond market, with expectations running so high. The possibility of a rate increase has already bolstered the D-Mark against the dollar and within the EMS. Whereas the dollar dipped briefly below DM1.70 in early trading yesterday, it was quoted at DM1.8145 when the Bundesbank last met on July 11.

If rates are left unchanged, the D-Mark could fall quite sharply against the dollar and European currencies. Any initial signs of relief in the bund market would probably be overtaken by worries about rising inflation, and yields would consequently rise. With some analysts forecasting inflation as high as 5 per cent by the end of 1991, the bund market wants a clear signal that the Bundesbank will curb inflation.

Leaving rates unchanged would probably be greeted with relief by other European bond markets, particularly the French. The French government has been angling to cut the intervention rate, but has held back from doing so by the franc's weakness. France might cut the rate soon if German rates are left unchanged, a view which has prompted some investors to buy French government bonds recently.

● The second possibility is that the Bundesbank decides to raise the discount rate (now 6.5 per cent) and leave the Lombard rate unchanged at 9 per cent.

Mr Karl Thomas, Bundesbank director, this week stated that a discount rate rise was "long overdue" but was cagey about a Lombard move, saying that it depended on market developments over the next week.

Officials have been trying to pass off a discount move as purely technical because of the benchmark's diminished significance. Mr Hermann Remsperger, chief economist at BHF Bank in Frankfurt, pointed out that such a move would have consequences for the real economy because the price of bank short-term credits to industry would inevitably rise.

The currency markets have worked themselves up to such a pitch that failure to move the Lombard rate, even if the discount rate were moved up a point, might also hurt the D-Mark.

● A third possibility is that the central bank decides to push both rates up. Nudging the discount and Lombard rate up by 50 basis points is unlikely given that it does not reduce the corridor, one of the main goals. A more probable configuration would be a full point on the discount and a half point on the Lombard rate. This would lead initially to higher bund prices.

Raising the Lombard rate would push up market interest rates in France, Denmark and the Benelux countries, and possibly delay further cuts in the UK base rate if sterling weakens.

While market rates would inevitably rise in France, the Bank of France would probably try to resist raising the intervention rate, now at 9 per cent. However, it might have to follow the Bundesbank's lead if the franc weakened, which would inevitably lead to a fall in French government bond prices.

● Finally, the Bundesbank could raise the Lombard rate by a full point, with the discount rate probably being raised by 1.5 percentage points.

This would be seen as drastic action, which dealers believe would prompt heavy selling of short-dated bonds. The 10-year end might dip in shock initially, but would probably then sustain a modest rally. The result would be a considerable inversion of the yield curve.

The higher the rise in the Lombard rate, the greater the impact on the D-Mark. A rise of 1 percentage point could easily send the dollar back to the mid-DM1.60s. However, it would also mean that the French would almost certainly have to raise the intervention rate, leading to a fall in French government bonds – and a clouding in Franco-German monetary relations.

Sotheby's hit by slump in art market

By Clare Pearson in London

THE SLUMP in the art market meant taxable income of Sotheby's Holdings, the international auctioneer listed in London and New York, collapsed to just $9.12m in the six months to end-June, compared with $117.1m for the same period last year.

However, Sotheby's said it believed the bottom of the art market cycle had been reached. This view was based on the performance of a number of market sectors during the spring sales, the flow of items for sale and greater price stability in the Contemporary market.

Recent sales at Sotheby's - and its rival Christies International - have largely suffered as the markets for modern and Impressionist paintings, which boomed in the late 1980s, have dried up.

Mr Michael Ainslie, chief executive, said the spring sales of Contemporary work showed that the speculative element had evaporated and "we have seen enthusiastic and rapid adjustment to the new price levels."

He said the 1990 results had been achieved during the art market's peak period. The company had remained profitable this year thanks to management initiatives. Aside from cutting marketing and sales expenses, Sotheby's had imposed a freeze on pay and on hiring.

The second quarter dividend is being maintained at $0.15. Taxable income in that period was $17.65m ($107.16m). Auction revenues were $68.12m ($166.3m) in the second quarter and $94.01m ($219.19m) for the six months.

First-half auction income of $7.52m ($115.78m) was struck after a fall in operating expenses to $99.24m ($124.94m) and lower interest charges of $5.35m ($8.45m).

Worldwide sales were $537m, a third of the 1990 total, during the first half. During the period decorative arts, books and jewellery together took over from paintings as the main source of sales, accounting for 55 per cent of the total.

The paintings sector, which fell as a proportion from 67 per cent to 45 per cent, suffered both in terms of prices, which fell significantly, and supply. Sotheby's said that, as in previous recessions, fewer works had come up for sale, and their quality had diminished.

Of non-auction activities, property improved its contribution to $569,000 ($90,000). Financial services declined to $3.98m ($5.11m). Earnings per share were $0.10 ($1.22).

Lex, Page 16

KLM rises to Fl 135m on increased traffic revenues

By Ronald van de Krol in Amsterdam

KLM ROYAL Dutch Airlines has posted an unexpectedly large increase in first-quarter results, thanks mainly to a sharp rise in traffic revenues in spite of the lingering effects of the Gulf war.

Net profit for the three months to June 30 rose to Fl 135.9m ($70.4m) from Fl 41.4m in the same period of 1990.

KLM, which suffered heavy losses in the full 1990/91 year, attributed the first-quarter gains mainly to a 13 per cent rise in traffic revenues, favourable currency movements and more efficient scheduling of its aircraft.

By trimming unprofitable routes and adjusting aircraft frequencies on other routes the airline has boosted revenue, but passenger numbers remain low. far This year, the airline halted Amsterdam services to Dresden in Germany, and to the Dutch city of Maastricht. Last year, it eliminated flights to the Turkish cities of Ankara and Izmir.

In the first quarter, passenger traffic rose 3 per cent, while provisional figures for July showed a rise of only 2 per cent.

The Dutch national carrier, which is 38.2 per cent government-owned, said that cost-cutting efforts launched in 1990 were now starting to show through in its results. Operating costs rose 4 per cent to Fl 1.73bn in the first quarter, well below the 13 per cent increase in total revenue to Fl 1.88bn.

The biggest increase in costs was KLM's fuel bill, which rose 15 per cent in guilder terms compared with early 1990.

Overall, productivity improved 4 per cent, the company said. KLM's share price surged on the figures, closing up Fl 2.10 at Fl 31, a rise of 7.2 per cent on Wednesday's close.

The first-quarter figures include book profits of Fl 62.7m on the sale of aircraft, compared with Fl 42.8m in book profits a year ago.

Following its initial successes in trimming costs, KLM said: "The introduction of further measures toward structural improvement of the result will be continued unabated."

The airline is trying to reduce annual operating costs by Fl 955m as part of efforts to raise productivity by 7 per cent per year over the next three years.

KLM omitted its 1990/91 dividend in June after it posted a net loss of Fl 630m. About half of this loss was because of restructuring. The airline said it was impossible to predict full-year results at this stage.

BT advances 11.3% in first quarter

By Paul Abrahams in London

BT, the UK telecommunications group, yesterday announced an 11.3 per cent rise in its first-quarter pre-tax profits from £741m to £825m ($1.4bn). The results, above market expectations, clear the way for privatisation of about half the government's 47.8 per cent stake in the group.

The company described the results as "sound". Mr Barry Romeril, BT's finance director, said that they were achieved largely by emphasising cost control and reducing interest charges. However, spokesmen for opposition political parties criticised the results. Ms Joyce Quin, Labour party trade and industry spokeswoman, said they demonstrated BT's lack of commitment to improving value for money for its 26m customers.

Mr Alex Carlile, Liberal Democrat spokesman, said the figures were a telling indictment of the government's approach to privatisation. The only reasonable response was to break up BT at the earliest possible juncture.

Operating costs increased 3.3 per cent, as staff costs were held to a 1.3 per cent increase. That had been achieved by gradually reducing staff numbers, Mr Romeril said. Capital investment fell from £634m to £588m.

Turnover increased only 4.2 per cent from £3.208bn to £3.342bn. Mr Romeril said there were signs that the downturn was slowing, but there had been no indications of an economic upturn during the first quarter. Increased volumes would be dependent on the economy.

The volume of inland telephone calls increased only 3 per cent on a 12-month moving average, compared with 9 per cent last year. International volumes increased by 5 per cent (12 per cent). Revenue from inland calls was 5.2 per cent higher than the same period last year, while international revenues were unchanged. Mr Romeril expected recent reductions in international tariffs to increase volumes.

Sales of equipment, which fell by 9.5 per cent from £337m to £305m, were heavily affected by the recession. Most consumers found such expenditure discretionary, Mr Romeril said.

Earnings per share increased 10.2 per cent from 8.1p to 9p.

Mr Iain Vallance, BT's chairman, said that the figures had been achieved against a background of difficult economic conditions and increasing competition. There had also been low growth in demand for the group's products and services.

WPP gloomy as first-half profits fall to £15.99m

By **Alice Rawsthorn** in London

WPP, the world's largest marketing services group, fell victim to the depressed state of the US and UK advertising markets with pre-tax profits down from £46.03m to £15.99m in the first half.

Mr Martin Sorrell, group chief executive, said the results were "extremely disappointing" and warned there was "absolutely no evidence of an upturn" in market conditions for the second half.

The gloomy trading statement fueled stock market speculation that WPP, which earlier this year completed an emergency financial restructuring package, may be in danger of breaching its banking facilities and might then be forced to stage a rights issue.

Mr Neil Blackley, advertising analyst at James Capel in London, said the critical time for WPP would be the seasonally weak months of August and February, when its working capital requirements were highest. He said it was an "even bet" as to whether the group would be able to stay within its facilities.

WPP's shares, which have fluctuated in recent weeks on fears of a rights issue, fell by 9p to 120p on yesterday's announcement.

During the first half WPP, which owns the J. Walter Thompson and Ogilvy & Mather advertising agencies, was hit by a downturn in some major markets including Australia, Brazil, Japan, the US and the UK.

It also suffered from the instability caused by the Gulf war.

Mr Sorrell said media advertising, public relations and design were the worst-affected areas. Market research and direct marketing were relatively resilient.

Group turnover fell to £2.35bn from £2.57bn and revenue to £581.66m from £626.21m in the six months to June 30.

It paid £22.1m against £21.9m in interest on average net debt – £11m higher than in the same period last year.

WPP said it had traded within its banking convenants during the first half.

Operating margins fell from 10.4 per cent to 6.5 per cent during the first half. JWT Group, which includes the Hill & Knowlton public relations network, saw operating margins slip to 7 per cent. Ogilvy Group's margins fell to 5.8 per cent.

Earnings per share fell to nil from 42p.

As expected, the group will not pay dividends on its ordinary or convertible preference shares.

Mr Richard Dale, media analyst at Smith New Court in London, forecast a fall in full-year pre-tax profits from £90m to £50m.

Ciba-Geigy buys Japanese stake

By **William Dullforce** in Geneva

CIBA-GEIGY, the biggest of the Swiss chemicals groups, has bought 20 per cent of Tomono Nohyaku, a Japanese manufacturer of plant protection products, in a move aimed at achieving greater penetration of the Japanese market. The price was not disclosed.

Under the contract signed in Tokyo on Wednesday the two companies will co-operate in developing and marketing products for the domestic market.

Tomono Nohyaku, a family owned concern, has 115 employees and achieved a turnover of more than SFr65m (US$43.3m) last year. It produces applications mainly for fruit and vegetables.

The Swiss group will inject research facilities into the Japanese company, which currently concentrates on formulating and marketing products. The two companies complemented each other excellently in environmental protection and customer services, Ciba-Geigy said.

Plant protection is a field in which Ciba-Geigy has been expanding. Last year it acquired the Maag company from Roche, another of the big Swiss chemical and pharmaceutical groups based in Basle.

According to Ciba-Geigy the worldwide market for plant protection products amounts to some $20bn a year, with Japan accounting for about 15 per cent.

Plant protection is now the biggest operation in Ciba-Geigy's agri-chemicals division which last year recorded sales of SFr4.1bn.

Last month the Swiss group announced that it was reorganising its operations in Japan where in 1990 its overall sales amounted to roughly SFr120m, about half of which came from pharmaceuticals.

Amic posts earnings fall at midway

ANGLO AMERICAN Industrial Corporation (Amic), the industrial arm of the giant Anglo American conglomerate, has reported a sharp drop in earnings for the six months to June, writes **Philip Gawith** in **Johannesburg**.

vsd dl The 26.2 per cent decline in earnings to 333 cents per share follows poor results of main subsidiaries which have reported recently. AECI and Highveld Steel, which last year contributed 38 per cent of Amic's profits, reported interim profits down 56 per cent and 43 per cent respectively.

Amic's turnover rose by 5.4 per cent to R3.1bn while earnings from operations were 38.7 per cent down at R211m. Attributable earnings declined 25 per cent to R182m (US$63m).

Mr Graham Boustred, chairman, said the results reflected the performances of Highveld and AECI "and the continued difficult trading conditions being experienced by our other group companies".

Du Pont stretches its European strategy

Charles Leadbeater, Industrial Editor, examines the progress of the US oil and chemicals group towards becoming a truly global company

David Williamson: invited into group's inner sanctum

The diehards in Wilmington, Delaware, will be flicking the pages of their atlases and scratching their heads. For Du Pont, the company which is the heart of the town, is starting to act very strangely.

It all started about two years ago with the arrival of Mr Edgar Woolard Jnr as chief executive. He has launched a campaign to rid the US oil and chemicals group of its reputation for encrusted bureaucracy and inbred insularity.

The Woolard campaign took a big step forward this week, in the process claiming another Du Pont shibboleth. A large chunk of Du Pont's corporate power is being handed to a European who works in Geneva, Switzerland.

Mr David Williamson, the British president of Du Pont Europe, is on the verge of becoming the most senior non-North American the company has ever known. At the end of this month he will become vice-president of Du Pont's global agricultural products division. It is the first time that an entire Du Pont division has been headquartered outside the US.

Just as significantly Mr Williamson, who will retain his post as head of the company's European operations, will join the company's 23-strong operating group, which decides the group's global strategy. He is the first European to be invited into the inner sanctum of Du Pont's senior management.

Mr Williamson's move is the latest in a series of initiatives launched by Mr Woolard to infuse its management with greater urgency and higher international ambitions.

Du Pont is not alone among chemical companies in seeking such changes and is not the first to travel this route. Indeed the Du Pont changes are remarkably similar to those underway at ICI, the British chemicals combine.

ICI recently rejigged its senior management by setting up a performance and policy committee of senior executives. Mr Woolard last year disbanded the all-powerful Du Pont executive committee and replaced it with a small four-man team dubbed "office of the chairman".

ICI is spending about £400m on cost cutting which should improve profits by £400m in 1994. Du Pont last month announced an efficiency drive costing about $500m in 1991 to yield an estimated $1bn.

Du Pont has got further with corporate reshaping. While ICI is still considering partners for its pharmaceuticals business, Du Pont last year threw its entire drugs operation into a joint-venture with Merck, the leading US pharmaceuticals group.

Finally, through Mr Williamson's appointment, Du Pont is starting to internationalise its management, a process ICI started some years ago.

The need for Du Pont to internationalise became clear in the 1980s. Its non-US markets have grown faster than its domestic market. The message has been reinforced by the way the US recession has cut into Du Pont's profits.

Mr Williamson's job will be to persuade Wilmington executives of the scale of change required for Du Pont to become a truly global company.

First, his job as president of Du Pont Europe will take on added significance as investment outside the US grows. Mr Williamson says: "For a global company we have not yet got the proper balance of resources."

The European region accounts for 25 per cent of Du Pont's turnover in its non-oil business, chemicals and specialities, and a larger share of its taxable profits. Yet although Europe's businesses earn higher margins than the US operations it only accounts for 10 per cent of Du Pont's spending on research.

Mr Williamson says: "We have got to do more research in Europe to tailor products more to our customers' demands."

Second, the agricultural division is a prime example of the need to get closer to customers.

Du Pont is number one in agricultural chemicals in the US. But it lags behind its competitors in Europe, the world's largest market for crop protection.

Mr Williamson says: "To be globally effective we have to be strong in all the main regional markets. We have to do a lot better in Europe. This is where our main customers and main competitors are. The managers making the key decisions need to be in this environment."

The length of the management chain stretching from salesmen visiting farms in the heart of central Europe, to researchers and executives in Wilmington, has made Du Pont less responsive to market changes than it should be, Mr Williamson says.

Third, Mr Williamson hopes to have an influence on Du Pont's general strategy by providing a European perspective on the operating group.

He says: "It will be my job to provide a different perspective on broad issues such as how people outside North America will respond to corporate strategies; to question investment priorities; to help identify the strengths of foreign competitors; to analyse disparities in regulatory trends between Washington and Brussels."

Du Pont's most exciting modern product is Lycra, a fibre which has given dresses, shorts, swimsuits and leisure wear a new image of lean, tight fitting dynamism. If Mr Woolard and Mr Williamson have their way Du Pont's management will take on more and more of Lycra's characteristics.

BOC's 9% decline reflects exchange rates

By **Clare Pearson** in London

BOC, the industrial gases and health care group, suffered a 9 per cent decline in the nine months to June 30, largely reflecting the adverse impact of currency movements.

The company, which uses average exchange rates for translation, said that on a constant currency basis turnover and operating profits would have been up by 6 per cent and 2 per cent respectively.

Pre-tax profits were down at £235m from £258m on turnover of £2.07bn against £2.11bn.

In the third quarter, profits slipped slightly from £87.8m to £85.1m.

The group said it had not seen "any upturn in most of the key economies" in which it operated.

In these conditions, its businesses had "continued to perform reasonably well."

The group also suffered from an increased interest charge of £58.2m against £52m arising from the acquisition of the minority interest in CIG, the Australian industrial gases company, and higher capital spending.

Earnings per share fell to 31.8p from 37.18p after a tax charge of 32 per cent, against 27 per cent in the previous year.

The divisional results were affected by a change in accounting for corporate costs, which, as shown separately, were down to £2.5m from £10.3m. The gases and related products division reported operating profits of £208.2m against £229.3m on sales of £1.44bn against £1.5bn. The company said that gas prices and margins were stable.

Overall volumes in the merchant liquid market continued to grow, with markets in the North Pacific still buoyant.

Health care edged ahead to £69.1m from £67.3m on sales of £421m against £410m.

BOC noted that pharmaceuticals performed very well and medical equipment satisfactorily, but the US home health care business continued to incur losses.

Trading conditions were also poor at the vacuum and distribution business. It contributed £19.9m against £25.3m at the operating level, even though turnover grew to £200m from £187m. This largely reflected lower demand for vacuum technology.

By region, Europe accounted for 47 per cent of pre-tax profits, Africa 14 per cent, the Americas 19 per cent, and Asia and the Pacific region 20 per cent.

Group net borrowings and finance leases rose from £657.3m at September 1990 to £808.2m. The company said debt would have been about constant but for the CIG acquisition and currency translation effects.

Reebok seeks 'pump' ruling

REEBOK International, the US sports shoes group, has asked for a preliminary injunction against its partner which was involved in creating pump technology, claiming Design Continuum gave trade secrets to the makers of a pump baseball glove, AP-DJ reports.

Design Continuum co-developed the built-in air pump and release design for Reebok's Pump athletic shoe line. It worked with Spalding Sports Worldwide to create the Air-Flex baseball glove, which features a similar pump that molds the glove to the wearer's hand.

Reebok accused Design Continuum of breaking contracts that bar the company from revealing technology developed in the making of the pump.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Wal-Mart maintains its steady growth pattern

By Nikki Tait in New York

WAL-MART, the fast-growing US discount retailer, continued its relentless growth pattern during the six months to end-July, notching up after-tax profits of $652.8m on sales of $19.6bn. This compares with $526.4m and $14.3bn respectively in the first half of 1990.

In the second quarter alone, Wal-Mart – which has grown from one general store in Arkansas 30 years ago to become the nation's biggest retail chain – saw sales of $10.3bn, against $7.54bn and net profits of $345.9m against $272.9m.

The improvement came despite interest charges up from $75.3m to $118.9m in the first half and from $38.4m to $62.1m in the second quarter.

At the earnings per share level, Wal-Mart saw an advance from 46 cents to 57 cents for the first half, and 24 cents to 30 cents for the May-July period.

Wal-Mart said that "same store sales" increased by 11 per cent in the first half, with a further part of the overall 37 per cent increase resulting from the continued expansion of selling space.

During the second quarter alone, Wal-Mart opened another 36 stores, together with six additional Sam's Clubs. These are "wholesale" clubs, catering for the most basic end of the discount market. The company has now added 10.7m sq ft of selling space this year, split almost evenly between the two quarters.

As a result, it operates over 1,600 stores and 184 Sam's Clubs, plus four Hypermarket USA units. Yesterday, Mr David Glass, president, said that the "solid" first half performance should allow the company to meet its sales and earnings goals for the rest of the year.

● Wal-Mart figures coincided with news of drab July sales at K mart, another of the top three US retailers. The Michigan-based company said sales increased by 4.7 per cent in July, but like-for-like sales were only 0.4 per cent ahead, with the weakness partially blamed on "a reduced amount of seasonal merchandise available for clearance sales".

It said that this would affect second-quarter earnings, but predicted the figure would still top last year's 74 cents a share – thanks to a reduced last-in-first-out charge and strong sales early in the quarter.

Elsewhere, July sales figures suggested a very marginal improvement from the June levels.

Playmates' 8% rise disappoints market

By Angus Foster in Hong Kong

HONG KONG may have lost faith in its latest success story, the crime fighting Teenage Mutant Ninja Turtles marketed by Playmates Holdings.

Playmates shares fell 9 per cent yesterday, to HK$5.15, after the company announced an 8 per cent increase in interim net profits to HK$379.9m (US$49m).

The figures were within expectations, but disappointed a market which has become used to Playmates announcing six- or seven-fold increases in profits since the Turtles took the US by storm in 1989.

Mr Thomas Chan, managing director, said the market overreacted. He pointed out most of Playmates' profits were made in the second half of the year, ahead of the important Christmas sales season.

Analysts still predict Playmates will better last year's full-year earnings of HK$1.22bn.

Mr Chan said the results were encouraging, given that the six months to the end of June coincided with the Gulf war and recession in Playmates' biggest markets.

The company had built up HK$1bn in cash from its spectacular growth and was now looking for acquisitions, he said.

The company has raised its interim dividend to six cents a share, compared to an adjusted 2.3 cents a share last time. A special cash dividend of 12 cents, against 8.6 cents, is also being paid.

● Hong Kong and Shanghai Hotels, owner of the colony's prestigious Peninsula Hotel, announced a fall in interim net profits to HK$125m in the six months to the end of June, compared with HK$157m a year ago.

The company is maintaining its interim dividend at six cents a share.

Brascan dives 81% in quarter

By Bernard Simon in Toronto

BRASCAN, a key holding company in the diverse empire controlled by Toronto's Bronfman brothers, has blamed the recession, low commodity prices and the strong Canadian dollar for an 81 per cent dive in second-quarter profits.

The company's interests include the resource group Noranda, financial institution Royal Trust and consumer products group John Labatt.

It warned that while cost-cutting would help its subsidiaries' long-term prospects, earnings will not return to a "satisfactory level" until commodity prices improve and the value of the Canadian dollar is allowed to drop.

Second-quarter earnings tumbled to C$9.8m or 1 cent a share from C$52.5m (US$45.6m) or 49 cents a year earlier. Group revenues dipped to C$2.42bn from C$2.66bn. First-half earnings were down 78 per cent to C$21.4m.

Almost all Brascan-controlled companies have suffered reversals this year. The handful of exceptions include London Life, a leading insurance group, and Royal LePage, a real estate brokerage.

Brascan itself and several of its subsidiaries have raised new equity in the past six months to improve their balance sheets. Noranda, Labatt and the US mining group MA Hanna have between them also raised close to C$1.2bn through various asset sales.

Tax swing and strong exports lift Trans-Natal

By Philip Gawith in Johannesburg

A STRONG export performance and a favourable turnround in its tax position enabled Trans-Natal, the coal producer in South Africa's Gencor group, to register improved earnings in the year to June.

Operating income dropped by R70m to R180.4m because of higher costs associated with the rise in export sales, inflation and losses at the Koornfontein operation. But attributable profits were 5 per cent higher at R138.1m, due to the swing in the deferred taxation position.

Earnings per share rose from 165.5 cents to 172 cents and the dividend was lifted to 75 cents from 60 cents per share.

Total sales tonnage declined by 9 per cent to 27.5m tonnes, but export sales rose to 10.6m tonnes from 10.2m tonnes which, according to Mr Mike Salamon, managing director, means that Trans-Natal overtakes Amcoal as South Africa's largest coal exporter.

● Anglo Alpha and Blue Circle, two of South Africa's main cement producers, saw operating income decline in the six months to the end of June, reflecting the recession in the construction industry, writes Philip Gawith.

Anglo Alpha' operating income was 9.2 per cent lower at R72.5m on turnover up by 6.1 per cent to R352.1m, while Blue Circle saw operating income fall by 4.5 per cent to R54.7m on turnover virtually unchanged at R382m.

Both companies said demand for all their products was down, with the exception of Anglo Alpha's lime operations.

Earnings per share at Anglo Alpha declined by 5.1 per cent to 74 cents but the dividend is being lifted by 7 per cent to 46 cents per share.

Blue Circle's per share earnings were 1.7 per cent up at 141.4 cents. The dividend is being lifted by 22 per cent to 55 cents, as partial compensation for dividends lagging behind inflation the past two years.

Blue Circle forecast earnings at a similar level to last year while Anglo Alpha expects a deterioration in line with the first half.

Good year for Procter & Gamble

PROCTER & Gamble, the large US consumer products group, made profits after tax of $1.77bn in the year to end-June, a 10.7 per cent improvement on the previous 12 months, Nikki Tait writes.

Fully-diluted earnings per share were $4.62, up from $4.27. Sales rose by 12.2 per cent, to $27bn.

In the final quarter, P&G made $304m after tax, 7 per cent up on the same period of 1990. Sales rose 8.1 per cent to $6.72bn, and fully diluted EPS 1.3 per cent to 76 cents.

Australian Woolworths up 25% to A$209.5m

PRE-TAX profits at Australian retailer Woolworths rose 25.5 per cent to A$209.5m (US$163.6m) in the year to June 23, 1991, the company said yesterday. The figure for the previous year was A$166.9m, Reuter reports from Sydney.

Woolworths, owned jointly by The Adelaide Steamship Co and associates David Jones and Tooth and Co, said sales rose 11.12 per cent to A$8.27bn from A$7.45bn.

"In view of the depressed economic conditions which prevailed throughout the year and the lower rate of inflation, the result was considered satisfactory," said Mr Paul Simons, the chairman.

Woolworths main competitor, Coles Myer, lifted sales 1.5 per cent in the year to July 27 to A$14.94bn.

Mr Simons said that Woolworths was well placed to weather the recession, which is expected to continue well into 1992.

"The primary problems for retailers in the next 12 months will be the high level of unemployment and consequent reduction in spending power," he added.

Packer sells 18% share in ANI group

By Kevin Brown in Sydney

CONSOLIDATED Press Holdings (CPH), Mr Kerry Packer's privately-controlled media and industrial group, yesterday sold an 18 per cent stake in Australian National Industries, the engineering group, for around A$218m (US$170.3m).

The sale, which reduced CPH's holding from 48 per cent to 30 per cent, follows Mr Packer's involvement in a A$1.1bn bid by the Tourang consortium for the troubled Fairfax newspaper group.

The Tourang bid would give Mr Packer a 14.9 per cent stake in Fairfax, which publishes the Sydney Morning Herald, The Age (of Melbourne), and The Australian Financial Review.

The consortium is led by Mr Conrad Black, the Canadian chairman of the London Daily Telegraph newspaper group, and also includes Hellman and Friedman, the US merchant bank.

CPH said it was committed to retaining a 30 per cent stake in ANI, and to a continuing role in the development and management of the group.

Mr Max Sandow, ANI chairman, said he was not surprised by the reduction in the size of the CPH investment.

"If I had been Kerry Packer, I would have waited for the appropriate time to cut the holding down," he said.

CPH paid A$1.40 per share for its 48 per cent holding in May 1989.

The sale price was not revealed, but is understood to have been around A$2.10, implying a profit of around A$73m on the deal.

ANI closed five cents lower on the day on the Australian Stock Exchange, at A$2.15.

Molex's 'record year' with 4% increase

By Barbara Durr in Chicago

MOLEX, a leading US electrical components manufacturer, reported net income for its fourth quarter, ended June 30, of $17.2m, or 35 cents per share, an increase from $16.5m, or 33 cents per share, in 1990. The company's fourth quarter revenues rose sharply to $186.8m compared with $158.8m a year ago.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on August 8

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	[illegible]	[illegible]		7.36
ALBERTA PROVINCE 9 3/8 95	600	[illegible]	[illegible]	[illegible]	7.95
AUSTRIA 8 1/2 00	400	[illegible]	[illegible]	[illegible]	8.46
BANK OF TOKYO 8 3/8 96	100	[illegible]	[illegible]	[illegible]	8.32
BELGIUM 9 5/8 98	250	[illegible]	[illegible]	[illegible]	8.46
BFCE 7 3/4 97	150	[illegible]	[illegible]	[illegible]	7.90
BNP 8 5/8 94	300	[illegible]	[illegible]	[illegible]	7.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	[illegible]	[illegible]	[illegible]	9.36
KREDIETCORP 7 93 LFr	1000	[illegible]	[illegible]	[illegible]	9.43
WORLD BANK 8 96 LFr	1000	[illegible]	[illegible]		8.99
RABOBANK 5 3/4 93 Fl	150	[illegible]	[illegible]		9.57
UNILEVER 9 00 Fl	500	[illegible]	[illegible]		8.64
BCE INC 9 5/8 93 C$	300	[illegible]	[illegible]		9.98
BELL CANADA 10 5/8 99 C$	150	[illegible]	[illegible]		10.64
BRITISH COLUMBIA 9 1/4 93 C$	150	[illegible]	[illegible]		9.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month [illegible]) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on 08.08.91: Pool purchase price £/MWh	Final Prices for Trading on 12.07.91: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.83	18.81	20.70
0100	15.50	15.92	15.92
0130	15.30	15.84	15.84
0200	15.50	15.84	15.84
0230	15.50	15.84	15.84
0300	15.50	15.84	15.84
0330	15.49	15.84	15.84
0400	15.49	15.84	15.84
0430	15.49	15.84	15.84
0500	15.50	15.84	15.84
0530	15.50	15.87	15.87
0600	15.50	15.87	15.87
0630	15.82	18.24	18.24
0700	17.31	18.88	20.97
0730	17.60	18.88	20.97
0800	18.99	19.04	21.13
0830	18.63	20.82	22.96
0900	18.63	20.87	23.00
0930	20.94	20.93	23.07
1000	20.94	20.97	23.12
1030	20.94	20.83	23.12
1100	20.94	20.85	23.14
1130	20.94	21.05	23.22
1200	20.94	21.04	23.21
1230	23.19	20.97	23.12
1300	23.19	20.88	23.01
1330	23.19	20.82	22.94
1400	20.94	20.80	22.93
1430	18.63	19.44	21.33
1500	18.63	19.14	21.23
1530	18.63	19.14	21.23
1600	18.63	20.80	22.92
1630	20.94	20.80	22.91
1700	20.94	20.80	22.91
1730	20.94	20.80	22.91
1800	20.94	20.80	22.82
1830	21.60	18.55	20.62
1900	21.60	18.37	20.46
1930	20.94	18.35	20.42
2000	21.50	18.26	20.33
2030	21.55	17.91	19.98
2100	21.55	17.91	19.98
2130	21.55	17.91	19.98
2200	21.55	18.54	20.62
2230	20.94	18.54	20.62
2300	18.98	18.54	20.62
2330	18.95	19.53	21.63
2400	18.94	19.53	21.60

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTERNATIONAL CAPITAL MARKETS

Rise in UK gilts limited by weakness of sterling

By Sara Webb in London and Patrick Harverson in New York

UK government bond prices rose yesterday, following US Treasury bonds, but traders said the rise was limited by sterling's weakness in the foreign exchange markets.

The gilt market welcomed changes to the auction system announced by the Bank of England yesterday. The Bank has decided to shorten the notice period between the announcement of an auction and the auction itself from one month to 17 days.

Gilt-edged market makers had asked the Bank to reduce the notice period because they felt it depressed the gilt market ahead of an auction. The market expects the Bank to announce its next auction at the end of August, so the auction itself would take place in mid-September.

The benchmark 11¾ per cent gilt due 2003/07 opened at 111 and traded at 111⅞ by late afternoon to yield 9.97 per cent.

■ US Treasury securities firmed across the maturity range yesterday morning as the market anticipated a successful afternoon auction of 30-year bonds.

By midday the benchmark 30-year bond was up ⅛ at 99, yielding 8.160 per cent. The two-year note was even firmer, up ⅛ at 100, to carry a yield of 6.463 per cent.

After solidly successful three-year and 10-year auctions, the sale of $12bn in 30-year bonds was expected to go well.

Dealers predicted that investors would queue up to buy the paper in the hope that the Federal Reserve will soon cut short-term interest rates to boost the flagging economy.

Pre-auction demand for the issue was such that at mid-session yesterday the 30-year bonds were trading in when-issued form at 8.14 per cent.

The Fed continued to pressure the credit markets into lowering the Fed funds rate. After $2bn of customer repurchase agreements by the Fed, the rate was trading at 5⅝ per cent, slightly above the new target of 5½ per cent.

■ GERMAN government bonds were barely changed on the day, as traders said the market was waiting to see whether the Bundesbank raises interest rates at its council meeting next Thursday.

The Liffe bund futures contract opened at 84.42, falling to 84.28 and then moving up to 84.37 on the back of the US treasury bond market's rise.

■ JAPANESE government bond prices slipped on profit-taking in quiet trading.

Traders said many investors were waiting on the sidelines to see the outcome of the US Treasury's auction of 30-year bonds yesterday.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	107.8159	+0.800	10.72	10.96	11.13
BELGIUM		10.000	08/00	103.4500	-0.150	9.41	9.52	9.49
CANADA *		9.750	12/01	100.0000	+0.075	9.75	9.88	9.99
DENMARK		9.000	11/00	97.8250	-0.050	9.35	9.46	9.37
FRANCE	BTAN	9.000	02/96	98.6325	-0.141	9.35	9.38	9.32
	OAT	9.500	01/01	102.2400	-0.070	9.12	9.23	9.21
GERMANY		8.375	05/01	98.7300	+0.020	8.57	8.64	8.56
ITALY		12.500	03/01	97.2400	-0.070	13.43	13.49	13.33
JAPAN	No 119	4.800	06/99	89.3337	-0.066	6.89	6.96	7.22
	No 129	6.400	03/00	99.2557	-0.109	6.53	6.59	6.78
NETHERLANDS		8.500	03/01	97.8800	-	8.83	8.88	8.81
SPAIN		11.900	07/96	99.9000	+0.100	11.90	12.15	11.87
UK GILTS		10.000	11/96	99-22	+02/32	10.07	10.21	10.28
		10.000	02/01	99-31	+00/32	10.01	10.13	10.21
		9.000	10/08	93-19	+03/32	9.77	9.91	9.95
US TREASURY *		8.000	05/01	100-11	+03/32	7.95	8.19	8.33
		8.125	05/21	99-17	+07/32	8.17	8.37	8.51

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

GE Capital whets its appetite for Europe

Martin Dickson on the US financial services group's move to build up its asset base

GE Capital, the large US financial services group, has moved from nowhere over the past year to become the leading issuer of sterling-denominated commercial paper, and it is now limbering up to make a splash in continental CP markets.

Its emergence as a significant European issuer underlines the company's ambitions to build up its European asset base and to match that with short-term floating rate local currency liabilities.

But it also highlights how the sterling CP market has been maturing over the past 12 months – and how far both it and many other local currency Euro commercial paper markets still have to develop.

GE Capital, a subsidiary of the General Electric group, is one of the largest non-bank financial institutions in the US, with assets of over $70bn, and over the past year or so it has started to snap up businesses in Europe, especially in the UK.

It is the leading US manager of private label credit cards and a year ago it gained its first foothold in European retail financial services when it bought the credit card operation of Burton, the high street stores group.

In June this year it acquired similar operations from House of Fraser and Harrods. Other significant British operations include real estate and middle market equipment financing.

Its continental operations are fairly limited, although last month it acquired a 3 per cent stake in Spain's biggest bank, Banco Bilbao Vizcaya and it is eyeing other opportunities, notably in credit cards. But any continental moves would be gradual. "We're not going to take any big bets, or large risks," says Mr Jim Parke, senior vice-president, finance.

In common with many companies, GE Capital has a policy of funding its operations as much as possible in local markets. And as the largest issuer of commercial paper in the US, with outstandings near $35bn – some $10bn ahead of its nearest competitor, GMAC, the financial services arm of General Motors – it was natural for it to cast its eyes over the CP market in Europe as it prepared to expand its assets there.

What it found was not very encouraging: the Euro CP market and its sterling sub-sector were growing only slowly and included a number of issuers without investment grade credit ratings. Some issuers had even defaulted, casting a shadow over the market, and few, if any, dealers were making money.

Nevertheless, Mr Jeff Werner, the group treasurer, says: "We felt, based on our experience in the US and Canada that the European CP market offered a tremendous opportunity. If a Triple-A, continuous issuer could approach the market from the right perspective, that issuer could be successful and the market would get a tremendous boost – and that is exactly what has happened."

GE started issuing in April last year and now accounts for some 5 to 6 per cent of the sterling market, with £335m of outstandings. It also has Ecu94m and some $498m outstanding in the European CP market.

This rapid expansion owes much to its credit quality, for GE Capital is one of the few US financial services companies to retain the very best ratings – Triple A from Standard and Poor's – despite some costly mistakes by parts of the group in leveraged buy-out and property lending in the late 1980s.

Another important factor, says Mr Werner, is that it has maintained a consistent presence in the Euro CP market – complete with its own, separate page on Telerate. "We're not in and out. We're there every day, so people can rely on that."

Thirdly, he cites the quality of its Euro CP dealers, who comprise Citicorp, J. P. Morgan, Lehman Brothers, UBS Phillips & Drew and two recent additions, Barclays de Zoete Wedd and Crédit Lyonnais.

One reason for adding BZW, its first clearing bank dealer, is to try to broaden its customer base among British companies, which are not significant buyers of its paper.

So far its main customers are investors who would normally buy dollar-denominated paper but have branched into sterling because of interest rate expectations, and continental institutions.

GE says tapping the sterling market is proving a very cost effective method of financing – almost two basis points cheaper than issuing CP in the US and then buying sterling forward. Initially, however, it had to pay a substantial premium over US rates to get its name established in the market.

But Mr Werner says the sterling sector still has a long way to develop, relative to the size of the economy, and needs more blue chip issuers, more dealers and structural changes which would allow a broader range of investors into the market.

"Sterling CP is not yet something that institutions and companies and banks with cash turn to. In the US market, if you have surplus cash, commercial paper is the first thing everyone invests in."

> In common with many companies, GE Capital has a policy of funding its operations as much as possible in local markets. And as the largest issuer of commercial paper in the US, it was natural for it to cast its eyes over the CP market in Europe as it prepared to expand its assets there.

Meanwhile, GE is looking closely at the non-sterling, non-dollar part of the European market as a source of funds as it increases its continental operations. It will probably first tap the fledgling Deutschmark market, where there are only about a dozen issuers and one dealer. France has a large, well-developed market but finance companies are barred from issuing into it.

"We hope that is going to change," says Mr Werner. Similar constraints apply in the Swiss market, although Mr Werner believes the company may be close to developing products which can get around this.

Eurobond demand may spark action from borrowers

By Tracy Corrigan

THE STRONG performance of Eurobond issues launched on Wednesday for 3i, the UK venture capital group, and Kreditanstalt für Wiederaufbau, the German agency, led to speculation that other borrowers would take advantage of current demand for sterling bonds.

3i's five-year deal narrowed to 88 basis points from its launch spread of 90 basis points, having tightened even further earlier in the day, while KFW's 10-year deal tightened from 39 to 36 basis points over the comparable gilt.

However, several rumoured deals failed to materialise, as expectations that gilt yields are set to fall – underpinning investor demand – are holding borrowers back. Many UK companies believe they will soon be able to achieve lower absolute funding rates.

British Gas, which was strongly rumoured to be preparing an offering, is not working on any deals at the moment, an official said, even though spreads are quite attractive, as the company has no urgent need for funds, and can afford to wait. However, British Gas is considering how to finance a £65m natural gas exploration and production programme in Thailand, announced yesterday. The investment could be funded by a dollar bond issue, or by project financing, the official said, but is unlikely to be financed in the sterling bond market.

Meanwhile, Bayer, the German pharmaceutical company, is expected to follow its $150m issue on Monday with a deal in the Swiss franc market. The mandate is believed to have been awarded to Crédit Suisse.

In the French bond market, Crédit National, the French financial institution, added FFr1bn of 9¼ per cent bonds to its outstanding FFr2bn three-year issue.

The new bonds, which offered a pick up of about 7 basis points over the outstanding issue, met firm demand, dealers said.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Furukawa Co.(a)♦	100	4⅝	100	1995	2¼/1½	Nomura Int.
Japan Storage Battery(a)♦	100	4⅝	100	1995	2¼/1½	Nikko Secs.
FRENCH FRANCS						
Credit National(b)†	1bn	9¼	100.3075	1994	1⅜	CCF
YEN						
Kawasaki Steel(a)†	30bn	7¼	101.70	1999	2/1¾	Yamaichi Int.
Kawasaki Steel(a)†	30bn	7¼	101¾	2000	2/1¾	Nomura Int.

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Fungible with existing FFr2bn deal. Non-callable.

Fokus Bank forecasts NKr1.4bn loss

By Karen Fossli in Oslo

FOKUS BANK, the troubled Norwegian bank, estimates that losses for the year as a whole will be NKr1.4bn ($209m), some NKr300-400m more than last year, the board told its general assembly.

In June Norway's third biggest bank received a conditional transfer from the Norwegian banks' Guarantee Fund of NKr1.5bn in preference capital to help prop it up, but clouds still continue to surround its future as an independent bank.

The fund, a safety net owned by the banks themselves, is helping Fokus to meet new adequacy rules.

The bank, which had already warned of a poor 1991 performance, said yesterday that it would have to acquire at least NKr300m in fresh capital to fulfil the minimum level of Norwegian equity capital requirements.

However, it said that it was optimistic that it could post a profit later next year.

Fokus Bank said it would cut staff and 16 offices to reduce operating costs.

On the Oslo bourse yesterday Fokus' share price was quoted at NKr12, but because of the cash injection Fokus will be forced to write down the value of its shares to NKr10 from NKr50.

The bank said that it would also close 16 regional offices and cut a further 320 jobs – in the past four years staff has been cut from 2,968 to 1,781.

Fokus also plans to reduce its balance sheet by NKr5bn during this year. In the first four months of this year the bank had assets of NKr47.5bn and suffered more than doubled operating losses of NKr256.6m.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thu Aug 8 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Wed Aug 7 Index No.	Tue Aug 6 Index No.	Mon Aug 5 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (184)	835.15	+0.4	10.13	5.78	12.22	22.56	832.20	826.73	834.57	816.41
2 Building Materials (24)	1056.68	+0.5	8.71	5.87	14.58	30.76	1051.47	1044.95	1059.29	1046.40
3 Contracting, Construction (31)	1142.56	+0.5	9.63	6.83	13.72	32.68	1136.35	1131.51	1144.79	1366.91
4 Electricals (11)	2442.93	+0.3	10.49	5.45	12.13	61.85	2434.75	2410.52	2431.83	2198.66
5 Electronics (25)	1727.78	-0.4	8.71	5.21	15.26	46.89	1735.09	1721.47	1727.96	1678.92
6 Engineering-Aerospace (8)	419.27	+0.3	16.30	5.98	7.36	12.11	417.83	416.53	423.71	446.31
7 Engineering-General (45)	455.94	....	11.74	5.63	10.45	11.82	455.91	456.57	458.74	458.63
8 Metals and Metal Forming (8)	434.76	+0.2	16.22	8.12	7.57	16.93	434.07	428.48	432.88	446.61
9 Motors (12)	332.52	+1.8	9.88	7.23	12.47	10.28	326.68	320.84	320.80	325.47
10 Other Industrial Materials (20)	1618.95	+0.4	8.61	4.97	13.65	36.42	1611.96	1600.98	1617.58	1451.82
21 CONSUMER GROUP (187)	1523.48	+0.2	7.60	3.58	16.22	25.63	1520.69	1507.43	1514.31	1248.22
22 Brewers and Distillers (22)	1858.96	+0.3	8.27	3.56	14.74	34.70	1853.77	1845.45	1843.84	1552.06
25 Food Manufacturing (19)	1203.68	....	9.54	4.11	12.95	24.43	1203.68	1198.90	1204.28	1048.89
26 Food Retailing (17)	2696.43	-0.7	7.98	3.09	16.39	39.61	2716.06	2714.51	2727.88	2468.12
27 Health and Household (22)	3635.31	+0.4	5.33	2.38	21.40	30.93	3619.10	3568.20	3590.48	2481.36
29 Hotels and Leisure (23)	1307.59	+0.3	9.15	5.27	13.19	32.35	1303.37	1284.63	1289.91	1344.13
30 Media (26)	1446.95	+0.3	7.96	4.90	16.33	38.26	1442.56	1425.81	1438.79	0.00
31 Packaging, Paper & Printing (17)	744.49	....	7.56	4.43	15.97	15.15	744.21	745.53	749.11	552.99
34 Stores (32)	978.20	+0.3	7.83	3.80	16.67	17.06	974.91	961.73	967.47	788.06
35 Textiles (9)	595.50	+0.3	8.43	5.21	14.73	13.79	593.68	590.55	594.27	470.02
40 OTHER GROUPS (109)	1269.67	+0.4	9.73	5.07	12.82	29.31	1264.93	1253.80	1258.63	1090.88
41 Business Services (12)	1346.43	-0.3	8.02	4.84	15.43	29.77	1350.13	1338.81	1352.63	0.00
42 Chemicals (21)	1453.66	+0.8	7.06	4.96	17.49	33.03	1442.81	1431.88	1435.47	1130.22
43 Conglomerates (10)	1465.87	+1.2	10.16	7.20	11.89	35.14	1447.83	1434.17	1445.99	1493.34
44 Transport (13)	2291.03	+0.5	8.24	4.65	15.04	50.50	2279.49	2245.20	2255.70	2131.65
45 Electricity (16)	1217.57	....	14.35	5.34	8.90	18.41	1217.70	1205.87	1214.49	0.00
46 Telephone Networks (4)	1531.83	+0.1	9.68	3.98	13.51	28.31	1530.24	1518.28	1514.02	1170.06
47 Water (10)	2362.29	+0.2	17.29	6.52	6.40	118.37	2357.57	2329.08	2340.11	2014.99
48 Miscellaneous (23)	1996.98	+0.3	6.08	4.84	21.31	47.89	1991.40	1981.01	1997.41	1639.00
49 INDUSTRIAL GROUP (480)	1274.84	+0.3	8.77	4.49	14.12	26.53	1271.31	1260.71	1267.35	1101.18
51 Oil & Gas (20)	2448.41	-0.7	11.08	5.59	11.88	67.26	2465.07	2449.80	2458.71	2473.50
59 500 SHARE INDEX (500)	1374.87	+0.2	9.07	4.63	13.79	29.82	1372.72	1361.66	1368.55	1213.86
61 FINANCIAL GROUP (92)	827.99	+0.2	-	5.62	-	21.65	826.72	818.20	819.79	748.53
62 Banks (9)	963.65	-0.1	5.14	5.53	31.20	24.83	964.43	950.76	949.86	803.23
65 Insurance (Life) (7)	1574.34	+0.4	-	5.25	-	41.64	1567.44	1558.54	1566.01	1354.37
66 Insurance (Composite) (6)	683.33	+0.9	-	6.42	-	20.23	676.96	667.99	671.73	625.60
67 Insurance (Brokers) (9)	1164.48	+0.4	6.75	5.80	19.22	30.61	1159.86	1145.67	1147.29	913.35
68 Merchant Banks (7)	446.31	....	-	4.70	-	11.00	446.35	444.95	442.76	399.31
69 Property (36)	916.82	-0.3	6.08	5.07	23.39	19.84	919.63	917.59	921.84	1033.33
70 Other Financial (18)	251.75	....	11.40	7.20	10.98	7.99	251.79	250.18	251.42	274.84
71 Investment Trusts (69)	1219.93	....	-	3.51	-	20.95	1219.80	1210.07	1218.60	1129.32
99 ALL-SHARE INDEX (661)	1241.56	+0.2	-	4.73	-	27.55	1239.67	1229.31	1235.08	1101.42

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 7	Aug 6	Aug 5	Aug 2	Aug 1	Year ago
FT-SE 100 SHARE INDEX♦	2600.6	+3.2	2600.6	2588.4	2597.4	2573.3	2585.4	2601.7	2591.7	2244.9

FIXED INTEREST

PRICE INDICES	Thu Aug 8	Day's change %	Wed Aug 7	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	121.62	+0.03	121.59	2.02	7.13
2 5-15 years (27)	132.50	+0.05	132.44	1.86	8.58
3 Over 15 years (9)	141.51	+0.13	141.32	2.97	6.83
4 Irredeemables (6)	155.46	+0.12	155.28	2.77	7.34
5 All stocks (70)	131.46	+0.05	131.39	2.05	8.02
Index-Linked					
6 Up to 5 years (1)	160.68	+0.11	160.50	0.80	2.72
7 Over 5 years (10)	145.35	-0.06	145.44	0.67	2.76
8 All stocks (11)	146.36	-0.06	146.44	0.68	2.76
9 Debs & Loans (56)	111.61	+0.37	111.20	2.79	5.89

AVERAGE GROSS REDEMPTION YIELDS		Thu Aug 8	Wed Aug 7	Year ago (approx.)
British Government				
1 Low	5 years	8.91	8.89	11.06
2 Coupons	15 years	9.70	9.71	11.06
3 (0%-7¾%)	20 years	9.70	9.71	11.06
4 Medium	5 years	10.06	10.06	12.16
5 Coupons	15 years	9.89	9.89	11.59
6 (8%-10¾%)	20 years	9.83	9.84	11.43
7 High	5 years	10.24	10.24	12.27
8 Coupons	15 years	10.00	10.00	11.88
9 (11%-)	20 years	9.90	9.91	11.73
10 Irredeemables		9.90	9.91	11.19
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	4.40	4.44	4.81
12 Inflation rate 5%	Over 5 yrs.	4.38	4.38	4.25
13 Inflation rate 10%	Up to 5 yrs.	3.49	3.52	3.73
14 Inflation rate 10%	Over 5 yrs.	4.20	4.19	4.08
15 Debs &	5 years	11.72	11.74	13.80
16 Loans	15 years	11.47	11.51	12.75
17	25 years	11.22	11.27	12.60

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	39	17	27
Corporations, Dominion and Foreign Bonds	2	5	13
Industrials	260	208	1,040
Financial and Properties	90	92	556
Oils	8	25	55
Plantations	0	4	6
Mines	35	30	93
Others	44	60	61
Totals	478	441	1,851

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Aug. 5
- Last Dealings Aug. 16
- Last Declarations Nov. 7
- For settlement Nov 18

For rate indications see end of London Share Service

Calls: Berisford, Burford Hldgs., Burton, Lee (A.), LWT Prt., Owners Abroad, Premier, TSB. Puts: none. Call & Put: Thames TV.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Exploration side lifts BP with £400m contribution

By Deborah Hargreaves

BRITISH Petroleum had an active second quarter during which it sold an oil refinery in Sweden, bought one in Spain and announced several sizeable oil discoveries in the Gulf of Mexico and Colombia.

The company said it would announce the sale of the rest of its US Tex/Con assets in the coming quarter to bring the amount gained from divestments this year to between £1bn and £2bn.

Operating profits for the exploration and production division rose substantially in the second quarter from £283m to £400m.

Total production of crude oil slipped slightly, from 1.31m barrels of oil a day (b/d) to 1.3m b/d, as routine maintenance and safety work depressed production. Gas sales also dropped from 1.43bn cu ft a day to 1.39bn cu ft a day.

"We were all aware that the past quarter could have been extremely difficult if all the stocks built up on worries about the war were released to the market," said Mr David Simon, BP's chief operating officer and deputy chairman. "This did not happen and the market was calm if not dull."

Mr Simon pointed out that oil production in the first half increased slightly to 1.37m b/d "despite the production profile of our fields." Analysts often point to the growing age of BP's oilfields as a reason for the decline in output.

The refining and marketing division reported a drop in income compared with the same period last year, from £287m to £266m on a replacement cost basis – which strips out stock losses. The quarter included after-tax profit of £83m from the sale of the Gothenburg refinery.

BP said it had made significant progress with its European strategy, developed by Mr Bob Horton, chairman, when it sold the Swedish refinery and expanded into the growing Spanish market with the acquisition of Petromed, the Spanish oil refiner and marketing company.

The chemicals division showed a £31m drop in second quarter profits to £8m largely due to a squeeze on margins and a fall in customer demand. The company also attributed the downturn to major shutdown of plant for maintenance – most of which has now been completed.

The company's nutrition division reported a profit of £12m for the second quarter compared with £15m last year.

Earnings per share for the second quarter were up at 4.5p (1p) and for the half year showed a drop to 4.7p (7.4p). Nevertheless, BP declared a dividend of 4.2p for the second quarter, marking a 6 per cent rise for the half year to 8.4p.

Group turnover in the second quarter rose from £7.26bn to £7.74bn.

Ashley Ashwood

Bob Horton, chairman and chief executive: his European strategy for BP had made significant progress

Shell hit by second quarter downturn from chemicals

By Deborah Hargreaves

ALTHOUGH Royal Dutch Shell achieved a sales rise of £87m to £17.76bn in the second quarter of 1991, net income for the period was depressed by sharply lower chemicals profits and a poor quarter at its US operations.

In all, first half income showed a 20 per cent rise on a replacement cost basis to £1.88bn after a good first quarter. Sales totalled £35.97bn (£34.86bn).

Second quarter income from chemicals fell from £153m to £12m. Sir Peter Holmes, chairman, pointed to the fact that customers had stockpiled chemicals during the Gulf war and that these were currently being drawn down.

He added that when stocks were rebuilt towards the end of the year, prices may harden.

Shell's oil output dropped by 2 per cent during the second quarter to 1.88m barrels a day (b/d), partly as a result of prolonged shutdowns in the North Sea. But gas production rose 7 per cent during the quarter to 5.64bn cu ft per day.

Shell said production should be higher in the second half of the year. But the return of North Sea output could be affected by the shutdown of the Fulmar Alpha platform yesterday after several explosions.

Second quarter income from the exploration and production division rose from £237m to £289m.

The group said the relative price stability in the second half would depend on the level of crude exports from members of Opec.

Refining and marketing operations slipped to £396m (£461m) during the quarter on a replacement cost basis as product margins dropped from exceptional levels earlier in the year.

However, margins in the Far East remained firm because of low product exports from the Gulf after the war.

Shell said it saw a continued expansion of unleaded petrol demand which it introduced to Singapore, Thailand and Hong Kong this year.

Earnings per share for the second quarter dropped to 5.8p from 6.1p last year, but remained the same for the first half at 15.1p.

The company will announce its interim dividend on September 12. Analysts are forecasting a figure of about 9p – up from 8.4p last year.

Capital expenditure increased during the first half by 16 per cent to £3bn.

Racal calls for £43.2m to cover demerger costs

By Richard Gourlay

RACAL ELECTRONICS yesterday issued 20.39m new shares, raising £43.2m to cover the costs of demerging Racal Telecom, the operator of the Vodafone cellular telephone network.

Smith New Court took the shares in a bought deal and placed them at 214p with a variety of institutions.

The company also announced that holders of 93 per cent of the convertible loan stock have opted to convert it into ordinary shares.

The £8m cost of repaying holders of the loan stock who chose to redeem will be met out of the placement proceeds. The £35m cost of the demerger will be met from the balance of the proceeds.

Racal Electronics shareholders will today meet to vote on the Racal Telecom demerger plans.

Following shareholder approval, Racal Electronics will subscribe to new Racal Telecom shares, in order to raise its stake marginally to 80 per cent, a level necessary for a tax-efficient demerger under US law.

GM Firth slides into £0.7m loss

By Peggy Hollinger

AN UNTIMELY investment and the recession combined to push GM Firth, the steel stockholder, into the red last year.

The Midlands-based group yesterday announced pre-tax losses of £727,000 for the year to March 31, compared with a profit of £1.8m on turnover down 28 per cent at £57.6m.

However, Mr Ian Wasserman, chairman, said the loss was the result of a £1.2m charge taken on the group's 20 per cent stake in Arthur Lee, the Sheffield-based steel and plastics group. The investment division as a whole reported increased losses of £1.7m (£323,000).

Profits in the steel division fell from £2.3m to £1.5m. The general decline in the UK steel sector hit sales of plate, Firth's principal product. Turnover in this division fell by 15 per cent. Mr Wasserman said that, although demand had stabilised, there seemed little hope of a recovery before 1992.

During the year the group sold or closed several businesses, accounting for some of the decline in overall turnover and an extraordinary charge of £475,000.

The furnishings, flooring and fittings division contributed a much reduced £12,000 (£121,000).

Losses per share were 2.5p compared with earnings of 3.69p earnings. The final dividend is passed, leaving an interim of 1p.

Borrowings were between £13m and £14m, compared with shareholders' funds of £12m.

Charles Church reveals details of refinancing

By Andrew Taylor and Peggy Hollinger

THE SUFFERING of British housebuilders continues. Charles Church, the Surrey housebuilder, yesterday announced details of a substantial refinancing.

In a separate move, Bellwinch, the loss-making south of England-based housebuilder, asked for its shares to be suspended at 3p after the collapse of refinancing negotiations.

Charles Church was taken private in 1989 by the Church family in a deal which valued the company at £104m.

Under the refinancing, banks, led by Royal Bank of Scotland and County NatWest will swap debt of almost £80m for a package of ordinary shares, preference shares and loan stock.

The banks will be left with a stake of between 70 and 80 per cent – depending upon the response of preference shareholders, mostly institutions, which are being offered a combination of new preference shares, ordinary shares or cash.

The Church family will be left without a stake.

Bellwinch had announced in June that it was involved in talks which it hoped would result in the underwritten issue of a substantial number of deeply-discounted new shares.

The group lost £4.9m before tax in the last financial year.

Recession cuts Kode to £126,000

Kode International, the Wiltshire-based printed circuit board maker and computer maintenance group, saw interim pre-tax profits fall sharply as its principal businesses continued to suffer in the recession.

The outcome for the six months to June 28 – £126,000 against £389,000 – was struck after an exceptional charge of £80,000 for redundancy and compensation payments. Turnover dipped some 11 per cent to £7.47m (£8.35m).

Earnings per share emerged at 0.6p, down from 4.6p last time, and the interim dividend is cut from 2.5p to 1p.

Jacobs feels coastal chill

Shares of John I Jacobs dived 5p to 39½p as the shipbroking and coastal shipping company announced a 55 per cent contraction in interim profits.

The coastal shipping operation continued to suffer from the recession and a further weakening of freight rates.

The pre-tax outcome for the six months to end-June fell from £597,000 to £270,000. An exceptional credit of £75,000 related to partial release of a provision against broking development. A provision of £150,000 was against an interest in an unnamed building and property company.

The interim dividend was 0.5p (1.5p) payable from earnings 0.57p (1.63p).

UK COMPANY NEWS

Smith & Nephew declines 5% to £59.3m

By Richard Gourlay

SMITH & NEPHEW, the international health care products group, held a fall in interim profits to 5 per cent in spite a sharp decline in consumer spending in the UK market.

Pre-tax profits fell from £62.5m to £59.3m on sales up 2 per cent at £364.2m in the 24 weeks to June 15.

Earnings per share fell 8 per cent to 4.02p but the interim dividend is increased by 1 per cent to 1.75p.

Mr Eric Kinder, chairman, said the black spot in the results was in UK consumer sales which had been hit by a recession that was showing no signs of ending.

Smith & Nephew's interest charge fell from £5.4m to £1.7m following a sharp fall in debt from £160m at the start of 1990 to £94m at the end of this period. Gearing was almost unchanged at 33 per cent.

The group sold a US capital equipment business which made operating tables and bought a wound management business in France.

On the operating side, wound healing products grew strongly in the US and Europe. Orthopaedic implants and trauma products also grew sharply, with sales up 20 per cent both sides of the Atlantic.

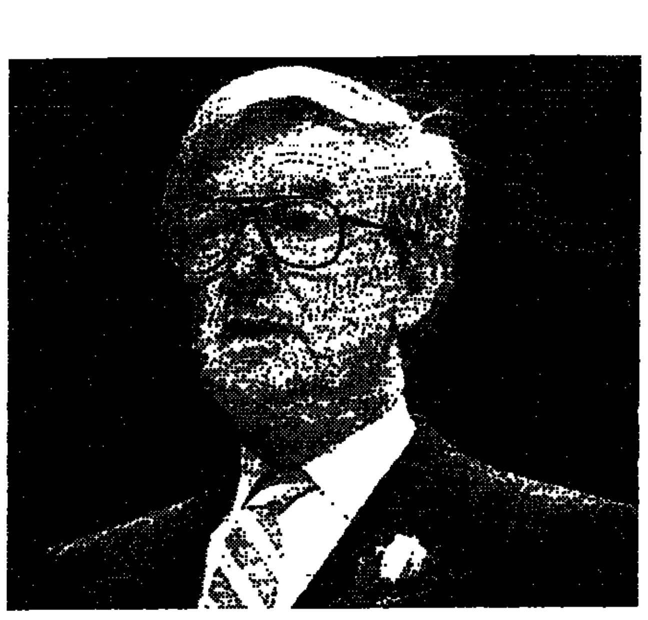
The disappointing UK summer had hit sun tan lotions sales and the recession had dented the toiletries business.

The gloves business, which hit earnings last year, had been rationalised and was now operating on satisfactory margins, Mr Kinder said.

Smith & Nephew is still appealing a $96.2m damages award to Polteco of the US which claimed the company had misappropriated technical know-how. It has made no provisions in the accounts against losing the appeal.

● **COMMENT**

After 25 years of inexorable profits growth, Smith & Nephew has in the last year become a company with two halves. The orthopaedic and wound management businesses are racing ahead particularly in the US and continental Europe. On the other hand, the UK consumer and US lens businesses are heading the other way and there must be question marks over the margins earned on the, albeit modest, hospital products sales. Forecasts of pre-tax profits for the year or £135m, give earnings per share of 9.2p this year, and a prospective multiple of about 15. Next year is less certain, with the company facing the outcome of its appeal against the Polteco damages.



Eric Kinder: black spot was UK consumer sales

Drayton Cons tries to halt slide

By Norma Cohen, Investments Correspondent

DRAYTON Consolidated Trust, which specialises in unquoted companies, last night tried to brake the slide in its share price by providing additional information about its investments.

In a statement after the market closed, Drayton said its current exposure to the unquoted sector was "something over £90m" out of total gross assets of £201m. If contingent liabilities were included, exposure was £102m.

Shares in the trust had closed unchanged at 195p, against 214p last Friday.

Mr Peter Knapton, director, said there had been suggestions that the fund had not told investors enough about its exposure to unquoted companies and that the uncertainty had induced some to sell their shares.

City analysts had believed that Drayton had roughly £71m, or 34 per cent of its total gross assets in unlisted companies. Mr Knapton said the new figure reflected the inclusion of loans to unlisted companies, as well as additional investments in the sector.

Separately, Drayton's directors said the £37m provision against the entire unquoted portfolio was "realistic." No new provisions were needed.

Invesco MIM, the fund's managers, yesterday revealed that net assets stood at 442.9p at July 31, against 450p at the end of June.

Emap buys 3 Murdoch titles for £10m

By Raymond Snoddy

EMAP, the magazine, newspaper and exhibition group, yesterday announced the acquisition of three consumer titles from Murdoch Magazines for £10m.

The publishing group said the purchase of Car, Supercar & Classics and New Woman would strengthen its position in both the car and women's magazine markets.

The deal means that Emap has spent more than £23m on acquisitions in the past few weeks and more could be on the way.

"Now is the time to be doing things," said Mr David Arculus, Emap's managing director, pointing to the possibility of picking up bargains in a recession and the strength of the company's balance sheet.

The sale of the three Murdoch titles follows News Corporation's agreement in May to sell most of its American magazines to Kohlberg Kravis Roberts for $650m.

In addition to yesterday's purchase Emap recently bought a 14 per cent stake in Metal Bulletin, the USM-quoted publisher of trade journals, and made an agreed £10.7m bid for Radio City, the Merseyside commercial radio station. The company has also joined the race for Southern Newspapers.

The three magazines bought from Murdoch Magazines were sold by competitive tender and it is believed that the other contenders were Motor Press Stuttgart and BBC Publications.

Mr Arculus said that the motor titles would give Emap market leadership in the sector. New Woman, launched by Murdoch Magazines and aimed at the mid-to-late 20s market, would extend Emap's reach.

SD-Scicon defence offers three alternatives to bid

By Alan Cane

IN ITS latest defence document SD-Scicon, the computing services company, tells shareholders that they have nothing to lose by resisting Electronic Data Systems' final offer of 60p per share.

The document, published yesterday, says there are three options if the EDS bid fails, all of which would benefit shareholders:

● EDS and SD-Scicon would find ways of working together for their mutual benefit.

● EDS would reconsider its offer and make a new bid at a level which SD-Scicon's management could recommend to shareholders. SD-Scicon has already set out values for the company ranging from 76p to 110p and it is thought that 85p would be acceptable.

● SD-Scicon would find ways of collaborating with EDS' competitors in the computing services business.

Mr John Jackson, chairman of SD-Scicon, maintains that the company has not actively sought a white knight but says that it is in discussions with companies anxious that EDS's expansionist intentions should be curbed. They would step in if the need arose.

Yesterday, EDS described the document as naive and its claim of no downside risk for shareholders as untrue. SD-Scicon shares closed unchanged at 60p.

SD-Scicon, which suffered losses of more than £20m last year caused by poor fixed price project management, has been fighting the bid from EDS, the information technology subsidiary of General Motors of the US, for the past two months.

It claims that it is well on the way to recovery, having solved its fixed price project problems and returning a half-year pre-tax profit of £5.9m with a projected full year figure of at least £14m.

Last week EDS raised its final offer from 45p to 60p per share. Mr Jackson rejected the offer as wholly inadequate.

He said yesterday that legal action in the US by a disappointed potential buyer of SD-Scicon's vehicle emissions monitoring company was without merit.

Kwik Save pays £5m for Yorkshire stores

Kwik Save, the discount food retailer, is buying a further 18 stores in the north-east of England. The stores, run by RT Willis, are being bought from the receivers for £4.9m cash, writes John Thornhill.

This deal brings the number of stores Kwik Save has bought in the past four months in the north-east to 67.

The stores to be acquired – which were selected from a portfolio of 27 available – are mainly in Yorkshire and are expected to produce an annual turnover of more than £25m.

Thirteen of the stores will be converted to the Kwik Save discount format. The rest will become Lateshopper stores.

Mayflower to buy Motor Panels for £14.75m

By Kevin Done, Motor Industry Correspondent

MOTOR PANELS, the independent maker of commercial vehicle cabs which went into receivership with its parent company CH Industrials in March, is to be acquired by Mayflower Corporation in a deal worth £14.75m.

Mayflower, which is the listed holding company for a group operating in specialist manufacturing, advertising, marketing and financial services, is planning a rights issue and share placement to raise about £17m to finance the acquisition.

If the deal goes through it will more than quadruple Mayflower's turnover.

Dealing in Mayflower shares has been suspended since June 13, when the group announced that it was negotiating a large acquisition. It said yesterday that it expected dealing in its existing ordinary shares to be resumed on September 3.

Motor Panels has a workforce of about 650 in Coventry and 150 in Wigan. It also has operations in North America, which are part of the Mayflower acquisition.

In the 11 months to end-February the company's UK operations made an operating profit of £1.9m on turnover of £38.4m, while the US operations achieved a $1.3m operating profit on turnover of $33.2m in the year to end-March.

The acquisition of Motor Panels is dependent on approval by Mayflower shareholders at a meeting on September 3, until then it will continue to be run by the receivers.

Mayflower, whose principal business is Ribbons, a maker of high performance synthetic webbing, yesterday reported profits before tax and extraordinary items of £12,000 on turnover of £5.6m for the first half of 1991, compared with a loss of £190,000 on turnover of £5.5m last time and a profit of £449,000 on turnover of £13.8m at the 1990 year end.

Mayflower said its acquisition of Motor Panels was a strategic move to develop a group of high quality specialist automotive companies. The business was being acquired at a discount of about £17.8m to net asset values.

The trading of both Motor Panels UK and US businesses had been adversely affected since March 1 by the impact of the receivership and by the difficult economic conditions.

Mayflower currently has a deficit on distributable reserves which precludes payment of a dividend. However, it intends to put forward plans for a capital reduction early next year, with the aim of resuming dividend payments in 1992.

Kleinwort Benson shows recovery with £24.7m midway

By Richard Waters

TAXABLE PROFITS at Kleinwort Benson recovered to £24.7m in the six months to June 30, though the bank was held back by continuing bad debt provisions.

Though down on the £30.3m of the previous first half, the figures were a marked improvement on a disastrous second half. This resulted in a £97m loss after a range of exceptional and other charges, including a £34m loss on a failed bought deal for Premier Consolidated Oilfields and a net loan loss provision of £43m.

In the first half of this year, a further £19m was set aside against possible losses, much of it on property-related loans, after recoveries of £10m.

Discussions on co-operation with BNP, the French state-owned bank which took 4.5 per cent of Kleinwort at its last year-end, appear to have slowed and are not expected to yield early results.

Mr David Peake, chairman, stressed that any benefits from the link were likely to be long-term. Also, Kleinwort has had no co-operation talks with Dresdner Bank and does not expect any in the near future – contrary to the expectation earlier this year.

Kleinwort continued to shrink its loan book, which now stands at £1.5bn. Risk-weighted assets had fallen by 10 per cent since the last year-end, he said.

Kleinwort does not show the results of its equities and securities operations separately, but Mr Peake said both had performed strongly.

Merchant banking and securities reported a profit of £23.5m, after the £19m provision. The £28.2m profit in the corresponding period was struck after a small net release of provisions. Investment management activities returned a profit of £13.4m (£15.5m).

Both figures were arrived at before a £12.1m interest charge on loan capital – down from £13.4m.

An unchanged interim dividend of 5.3p is payable from earnings of 12.66p (15.08p) per share.

Restructured CMW rises to £252,000 at halfway

By Michiyo Nakamoto

CMW Group, the recently restructured architectural, planning and interior design concern, reported interim pre-tax profits of £252,500, up from a pro-forma £210,000 in the previous first half.

The improvement in the six months to end-May – the first results since the group was formed and introduced to the USM in November – came on turnover of £2.69m (£2.89m).

Prior to flotation, it took over the UK operations of Tribble Harris Li, a US architectural concern. Soon after it became independent of THL, however, the US business ceased operations leaving CMW with losses and liabilities relating to the US operations.

The costs of covering these losses amounted to £1.1m and reduced CMW's net assets at the year end to £180,000.

An extraordinary charge of £508,000 was taken against losses and liabilities arising from the demerger.

The group improved its balance sheet with a placing and open offer of new ordinary shares in May, which raised about £1.38m net of expenses.

An interim dividend of 0.9p is declared, payable from earnings of 5.35p (4.88p) per share.

Aer Lingus falls to I£6m

By Kieran Cooke in Dublin.

AER LINGUS, the Irish state airline, yesterday announced pre-tax profits for the 12 months to March 31 of I£6.2m (£5.65m), down from I£38.7m.

In common with many of the world's airlines, Aer Lingus has been caught in financial turbulence caused by the Gulf war and recession in the UK and US, its two main markets.

It has benefited in recent years from a diversification programme, investing in a hotel network in the US and Europe and making considerable profits from aircraft servicing and maintenance.

In 1990-91 the aircraft transport division incurred losses of I£42.5m (I£18.7m). While some of the increased losses were due to declining passenger numbers, interest payments associated with new aircraft purchases accounted for I£22.9m of the division's loss.

Aer Lingus is involved in a I£20m cost-cutting exercise and seeking wage increase deferrals from its workforce. Last month it was forced to make an I£500,000 dividend payment to the Irish government.

COMPANY NEWS IN BRIEF

ANGLO & OVERSEAS Trust: Net asset value per share stood at 328.2p at June 30 1991. That compared with 337p a year earlier and 267.7p at December 31 1990. Available revenue for the half year to end-June amounted to £3.87m (£3.97m), equal to earnings of 3.39p (3.47p). The interim dividend is a same-again 1.75p.

FLEMING HIGH Income Investment Trust: Net asset value 90.2p (91.4p) at July 31 1991. Net revenue for the first quarter improved to £484,000 (£364,000) after tax of £177,000 (£115,000) for earnings of 1.6p (1.45p). A first interim dividend of 1.45p (1.4p) is declared.

TR CITY of London Trust had a net asset value of 110.49p at June 30 1991 compared with 111.7p a year earlier. Net revenue for the year was £9.03m (£8.19m) for earnings per share of 4.65p (4.21p). The proposed final dividend is a proposed 1.14p, making 4.56p (4.12p).

Correction

Mediobanca

Mediobanca, the Italian bank, has been appointed regional lead manager for Italy for the UK government's planned sale of shares in British Telecom. The bank's name was incorrectly stated in Wednesday's Financial Times.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo & O'seas ......int	1.75	Sept 17	1.75	-	6.15
BP ......int	4.2‡	Nov 7	3.95	-	16.05
CMW § ......int	0.9	Sept 19	-	-	-
Firth (GM) ......fin	nil	-	2 75	1	5
Fleming High ......int	1.45	Oct 1	1.4	-	5.75
Jacobs (John I) ......int	0.5	Oct 31	1.5	-	2.9
Kleinwort Benson ....int	5.3	Oct 14	5.3	-	16
Kode Intl ......int	1	Sept 19	2.5	-	7.5
Smith & Nephew ....int	1.75	Dec 13	1.735	-	4.35
TR City London ......fin	1.14	Aug 31	1.03	4.56	4 12

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡Makes 8.4p so far.

THE PROPERTY MARKET

Boots stirs landlord-tenant pot

Vanessa Houlder

"I THINK people are deceiving themselves," said Mr Mike Ruddell, the 47 year-old mathematician in charge of property at Boots, the chemist. The property industry should open its eyes to the rigid and old-fashioned relationship between landlord and tenant, which is damaging both sides, *he adds.*

Complaints about the unbalanced relationship between landlord and tenant are nothing new. The combination of the supply glut and the difficulties of recession-gripped tenants in meeting rising rents have underlined the pressures. Attention is particularly focused on the system of 25-year leases, which with their upwards-only rent reviews take little account of trading profitability – as many are now discovering.

What Mr Ruddell brings to the debate is not just the clout *of Boots, but his own experience* of retailing, which encompasses personnel, finance and merchandising as well as property. He is convinced that the retail industry *has the bit* between its teeth in its search for greater efficiency and it will not tolerate artificial constraints. "You don't go back, you move onto a new battleground," he says.

He believes that the introduction of electronic point-of-*sale technology* is a change comparable in scale to that of the elimination of retail price maintenance in the early 1960s or the introduction of sophisticated marketing techniques in the 1980s. Retailers now know what, when and where they are selling, which increases the need for flexibility in their property holdings.

"Meanwhile, the property industry is still applying leases assigned in Ted Heath's time," he complains.

Mr Ruddell proposes a shift in the landlord/tenant relationship towards the supplier/cus*tomer relationship that is* prevalent elsewhere in the retailing industry. Retailers and suppliers should have a co-operative relationship with give or take *on both sides, even to the point* where contracts are set aside if one party encounters difficulties.

The contrast with the property industry is stark. "There is no real incentive for the landlord to do anything," he says, alluding to an empty warehouse *for which* the rent has just doubled even though it has been empty for five years.

"I think the upward only review is very unfortunate. It avoids bringing down property to clearing price," he says. The upwards-only clause will be particularly invidious once inflation is under control, he says.

He believes that leases should be 10 years long. "The only real way to set a rent is when both parties can walk away from each other," he says.

*Mr Ruddell concedes that 10-*year leases would mean greater risks for landlords, but he thinks that retailers might be prepared to accept higher rents in return. In any case, he believes the point should be debated.

More open discussion would have other benefits, he adds. Open discussion, for example, would encourage retailers to share their thoughts about longer term planning, helping to smooth out peaks and troughs in the development cycle.

But an era of free and open discussion between tenant and landlord at the board level appears some way off. "It is *surprisingly difficult to get* hold of principals to get a discussion on where the industry is heading," says Mr Ruddell.

Perhaps the reluctance of institutions and property companies to talk about change is understandable. While many are prepared to consider leases of between 15 and 20 years, few would favour a lease of just 10 years.

However, Mr Ruddell thinks they are short-sighted. "Sup*posing landlords decide not to* change, then in the long run the value of their portfolio will diminish."

He suggests that the conquest of inflation may result in new methods of property finance. If retailers were dissatisfied with the terms of their existing property suppliers, they would encourage new suppliers to enter the market.

This point is a controversial one. It may be that consumers show a strong preference for out-of-town shopping centres, which could send the institutionally-dominated high street into decline, taking the rigid, institutional lease down with it.

However, it is possible that the availability of finance will not be enough to attract new entrants into a property industry characterised by tight planning controls. Once the current *surplus of space is absorbed,* the landlords may, once again, call the shots.

The outcome of the debate between landlords and tenants is unclear. However, the level of dissatisfaction among important tenants should give the industry pause for thought. The most successful property companies and institutions of the 1980s could well be those which start giving their clients what they want.

Rudd: rethink on leases

CAPITAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to June 91	-9.4	-16.0	-8.4	-12.0
Quarter to June 91	-0.9	-3.8	-0.1	-1.9
Month of June 91	-0.1	-1.1	0.3	-0.4

Investment Property Databank

Bids in for round one of Hungary's big sale

BIDS ARE now on the table for the first Hungarian construction and property company to be sold to foreign investors. This is Kunép, which has been chosen for the first round of Hungary's privatisation programme after nearly 25 years in state hands.

Ernst & Young, which is marketing the company for the government, says it has received firm bids and expressions of interest from investors in Hungary – including one from Kunép's employees, who believe they can fund the deal from their own savings – continental Europe and North America.

The Hungarian government is likely to favour a proposal which will keep the company intact, although bids are being considered for parts of the business. The winning bid will be decided in September.

Kunép was formed from the merger of two construction companies owned by the town councils at Kiskunfelegyháza and Kiskunhalas, near the Yugoslavia border. It originally concentrated on housing, schools and small industrial units, in its region.

The depression in the construction market in the 1980s persuaded it to invest in land, both as a hedge against inflation and to *underpin its construction* capacity. Its land holdings includes 60 hectares of "extremely attractive and unspoiled," land at Lake Balaton, a tourist resort. Kunép has planning permission to build an 18-hole golf course, chalet-type houses and a small marina.

In an attempt to drum up more business, Kunép has opened an office in Budapest, where it hopes to benefit from the upturn in building activity and the possibility that the World Expo fair will be held there in 1995.

European and North American groups are in the running

The company also tried to diversify into construction components and commercial and computer services. This high degree of vertical integration is perhaps the most obvious, but not the only point of difference with the western construction industry. Kunép is very different in terms of its organisation and approach," says Mr Eugene Bannon of Ernst & Young.

In 1990, Kunép made pre-tax *profits of 22.9m forints* (£179,000) and had net assets of 186,234 forints (£1.5bn). The company has a full order book for 1991 and is negotiating contracts for 1992. As well as its assets and order book, the appeal of buying an established company is the knowledge *it brings of* location, local economy and bureaucracy, says Mr Bannon.

From Kunép's point of view, it hopes the benefits of privatisation will be the introduction of modern plant and equipment, sophisticated computer software and the ability to market its services on a broader front.

UK companies are conspicuous by their absence from the bidders from Kunép. But according to Ms Jane Woolley, of the Royal Institution of Chartered Surveyors, there are many *UK entrepreneurs looking to* establish associations or joint ventures with Hungarian developers. Such investors are taking a long term view, she says. Of all the east European countries, Hungary may be the closest to having a western-style property *market, but the returns* are not going to be quick.

Vanessa Houlder

LEGAL NOTICES

Eric Woodward (Electrical) Limited

Registered No: 663662
Trading name: Eric Woodward (Electrical) Limited
Trade classification: 6
Name and address of joint administrative receivers:
David John Stokes and Michael Joseph Moore
Cork Gully
1 East Parade
Sheffield S1 2ET
Office holder numbers 2682 and 5562
Date of appointment: 1 August 1991
Name of appointer: 3i plc
Date 2/8/91

Name of company:
Liniact Industrial Services Limited

Registered No: 1540361
Trading name: Liniact Industrial Services Limited
Trade classification: 6
Name and address of joint administrative receivers:
David John Stokes and Michael Joseph Moore, Cork Gully, 1 East Parade, Sheffield S1 2ET, Office holder numbers 2682 and 5562
Date of appointment: 1 August 1991
Name of appointer: 3i plc
Signed D J Stokes
Date: 2/8/91

Vaba Industries Limited

Registered No: 1833004
Trading name: Vaba Industries Limited
Trade classification: 6
Name and address of joint administrative receivers:
David John Stokes and Michael Joseph Moore
Cork Gully
1 East Parade
Sheffield S1 2ET
Office holder numbers 2682 and 5562
Date of appointment: 1 August 1991
Name of appointer: 3i plc

Date: 2/8/91

Priest Furnaces Limited

Registered No: 2186215
Trading name: Priest Furnaces Limited
Trade classification: 6
Name and address of joint administrative receivers:
David John Stokes and Michael Joseph Moore
Cork Gully
1 East Parade
Sheffield S1 2ET
Office holder numbers: 2682 and 5562
Date of appointment: 1 August 1991
Name of appointer: 3i plc

Date: 1/8/91

No. 005379 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF THE METROPOLITAN TRUST PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High court of Justice (Chancery Division) dated 30th July 1991 confirming the reduction of the capital of the above named Company from £16,150,000 to £15,000,000 and the Minute approved by the Court showing with respect to the capital to the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 1st August 1991.

Slaughter and May
35 Basinghall Street,
London EC2V 5DB

Solicitors for the above named Company

No. 007581 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF WESTPOOL INVESTMENT TRUST PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 29th July 1991 confirming (a) the reduction of the share capital (b) the share premium account and (c) cancellation of the capital redemption reserve and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on 1st August 1991.

Slaughter and May
35 Basinghall Street
London EC2V 5DB
Solicitors for the above named Company

No. 007579 of 1991
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF THE SUMMIT GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 29th July 1991 confirming the reduction of the share premium account of the above named Company by £92,000,000 was registered by the Registrar of Companies on 1st August 1991.
Slaughter and May
35 Basinghall Street
London EC2V 5DB
Solicitors for the above named Company

COMMODITIES AND AGRICULTURE

EC reform proposals criticised

By our Agriculture Staff

THE European Commission's proposals for reforming the Common Agricultural Policy do not go nearly far enough, a British parliamentary report says.

The cross-party House of Lords Select Committee on the European Communities highlights two principal flaws in the Commission's proposals which were presented amid great controversy to farm ministers last month.

The proposals link price cuts and production curbs in some sectors to compensation heavily weighted in favour of small farmers.

The report says that they fail to distinguish between the specific objectives of agriculture policy and other economic, social and environmental objectives; and that they also fail to take proper account of the external influences on the EC's farm policy.

These "dangerous flaws" could well mean "the continuation – even the growth – of expensive and inefficient mechanisms to protect Community agriculture from competition", the report says.

The committee welcomes the Commission's commitment to reform but accuses it of showing a "parochial attitude".

If its plans go ahead, it will increase strains with the Community's trading partners and undermine rather than protect the security of the EC's food supplies, it says.

The Committee itself believes that "the prime means of reform should be through reductions in price support."

It supports the Commission's proposed cuts in cereal prices – some 42 per cent over three years – and calls for similar cuts for other commodities.

The report criticises the Commission's emphasis on reducing production through set-aside and other output controls. These may have to be a transitional feature of the reform package but should not be adopted as a permanent measure.

Above all, the committee rejects the Commission's proposals to introduce permanent aids for all smaller farmers – a proposal already roundly criticised by UK ministers as being unfair to Britain.

"The Commission assumes, without any justification, that within the agricultural sector the preservation of the small family farm is of itself an inherently desirable objective of public policy because of the social and environmental benefits it confers, and that the distribution of public support for agriculture should be weighted in favour of such farms."

It adds: "We see no logical reason or empirical evidence that a small family farm, whatever that is, should be better placed to provide such benefits than any other type of farm".

Instead of automatic aid to small farmers, the committee would like to see a thorough examination of the possibility of using the fixed redeemable bond, as proposed by Professor Stefan Tangermann of the University of Gottingen.

This would have the great advantage, the report says, of establishing a fixed level of adjustment aid payable over a determined period.

It would not have any impact on production and would allow farmers "quite freely to diversify into non-agricultural activities, become part-timers, or leave the industry altogether".

Development and Future of the CAP. House of Lords, 16th Report. HMSO, £12.85.

High costs to halt Chilean gold project

By Pablo Bachelet in Santiago

HIGH COSTS and start-up difficulties have forced Anglo American Corporation (South Africa) to suspend mining operations from September 1 at Marte, a $38m gold venture in the Chilean Andean plateau.

A company report to the local stock exchange, released by Minera Tres Cruces, the operator of the project, did not specify the reasons for the shut-down, stating simply that "the mine has not been able to cover its operational costs, producing important losses." The report does not specify either dollar figures or production losses resulting from the suspension.

However, Mr Alfredo Thal, general manager of Anglo's operations in Santiago, said that the plant was designed to produce about 80,000 troy ounces of gold per annum. A small production would be obtained for some time, Mr Thal said, from ore already accumulated in heap leaching stacks. Once these were depleted, however, production would cease "while further tests are carried out."

Tres Cruces is 54.3 per cent owned by Anglo. Cominco Resources International, a gold concern based in Canada, owns an additional 27.5 per cent and Chemical Bank (US) another 20 per cent. The mine started producing in 1989.

In an out-of-court settlement, Anglo and Cominco decided to jointly sell Lobo, a promising nearby deposit with 72m tonnes of ore, containing 1.6 grammes a tonne.

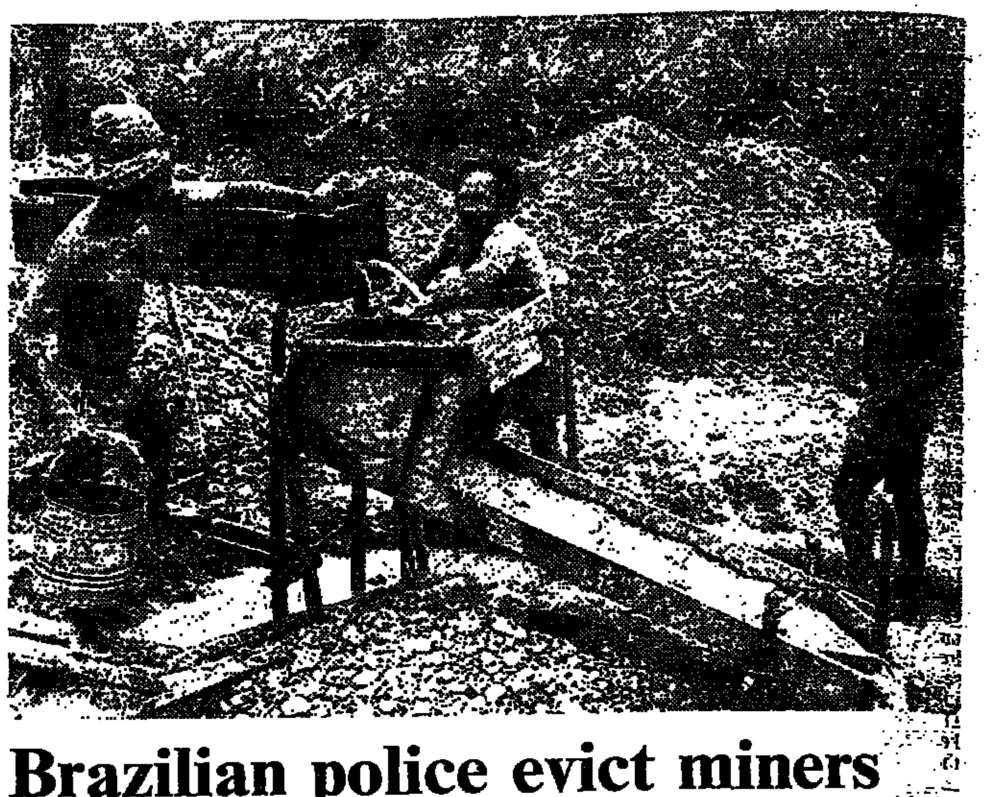
Anglo itself did the feasibility and engineering studies for Marte. The mine is located in the Maricunga gold district, on the southern fringe of the Atacama desert.

Tres Cruces says in the stock market statement that in spite of efforts by the technical staff to save the venture "the sustained low price of gold only worsened the outlook".

According to the report, the suspension will have "no financial effect on Mantos Blanco", Anglo-American's copper mine located 1,500km north of Santiago. Mantos Blanco produces about 75,000 tonnes a year of copper, fine content, in the way of concentrates.

Industry sources in Santiago say that the mine suspension was due to a combination of start-up difficulties including a string of industrial accidents. Harsh weather conditions and unexpectedly high copper content in the mineral led to snags in the plant's crushing and agglomerating circuits.

Mining people said that Marte's output last year was just one-quarter of design capacity.



Brazilian police evict miners

By Victoria Griffith in Sao Paulo

BRAZILIAN police have shut down Bom Futuro, one of the biggest tin reserves in the world, after its miners were accused of laundering money for drug traffickers and destroying the environment.

More than 3,000 miners were evicted from the area after their mining equipment was shut down.

Ebesa, a mining group 49 per cent owned by the mineral giant Paranapanema, has been engaged in a four-year battle to oust the unlicensed miners, or "garimpeiros". However, the garimpeiros' exit does not necessarily spell victory for the company.

"The mine has been closed down completely and indefinitely," said Mr Ricardo Aguiar, chief of security for the state government of Rondonia, where Bom Futuro is located. "Ebesa is not being allowed to operate either." The final decree which closed the mine was issued by the state governor of Rondonia.

Mr Romeu Tuma, chief of Brazil's federal police, announced last week that the government was ready to shut down all mines in the Amazonian state of Rondonia because of suspicions that the garimpeiros were laundering money for Colombia's drug cartels.

Bom Futuro, which had already run into trouble with environmental damage, was the first to be closed down.

Another 6,000 miners – mostly of gold – remain in the state. They have been given a week to clear the area before they, too, will be forcibly evicted.

Suspicions of drug trafficking were raised when Ms Raquel Candido, a federal representative, denounced three fellow congressmen from Rondonia for alleged links with Colombia's drug barons.

"We have good reason to believe that the river traffic in the area was not being used only for the transport of minerals," said Mr Tuma. "There is no question that the Rondonian miners are engaged in laundering drug money."

In its heyday, Bom Futuro employed 20,000 miners and produced 32,000 tonnes of tin a year. Production levels were cut to just half that in 1990 when the government ruled that none of the tin from the Rondonian mine could be exported. Because Brazil consumes little tin domestically, that gave the miners no legal market.

The miners won a small victory earlier this year when the courts upheld their right to stay in the mine.

Colombians want to form coffee 'axis'

COLOMBIA wants to form a Latin American coffee bloc that would boost prices which collapsed after the international export quota system broke down in July 1989, announced Mr Luis Fernando Jaramillo, Colombia's foreign minister, Reuters reports from Managua.

Mr Jaramillo said that Colombian President Cesar Gaviria planned to meet President Fernando Collor de Mello of Brazil on September 2 to discuss forming a "Latin American coffee axis."

The two presidents first discussed the proposal at the Ibero-American presidential summit in Guadalajara, Mexico, last month, he said.

"A joint effort by Latin American producers is necessary in order to defend our economies which are now severely affected by low international coffee prices," Mr Jaramillo said.

The International Coffee Organisation's export quota system collapsed in July 1989 when producers could not agree how to divide the market.

Mr Jaramillo, in Managua on Wednesday as part of a Central American tour, said that Brazil, Colombia and the Central American countries accounted for 70 per cent of the world's coffee production.

● Coffee consumption in the former East Germany should reach the level of western Germany's next year, according to trader Bernhard Rothfos. But it would be a few years before the quality was equal.

"They are catching up very fast," said the company's spokesman, Mr Hans Mueller-Henniges.

Egypt to boost cotton exports

By Max Rodenbeck in Cairo

EGYPT has announced plans to triple exports of quality cotton this year, but experts believe it will be hard to recapture markets lost over a decade of falling yields.

Mr Ahmed Shouman, head of the state-owned General Organisation for Cotton, said that Egypt would earmark 155,000 bales (720lb each) – nearly a quarter of expected output – for export this year, regardless of local demand.

In the 1990-91 season, Egypt exported 45,000 bales, down from 685,000 bales 10 years previously. Mr Shouman also said Egypt would drop state controls and set up a free market cotton exchange by 1994.

Since the 1960s, state agencies have told farmers how much land to plant with cotton and have fixed producer prices far below world market levels.

Egyptian Cotton Exports (720 lb bales)

1990-91	45,000*
1989-90	140,000
1988-89	205,000
1987-88	285,000
1986-87	435,000
1985-86	440,000
1984-85	445,000
1983-84	510,000
1982-83	552,000

Source: International Cotton Advisory Committee. *Official Egyptian estimate

With growers turning to more lucrative crops and demand from the local textile industry rising, less of Egypt's famed long-staple cotton has been available for export.

Industry sources have cast doubt on Egypt's ability to regain its market share. "It's not as easy as some people think", said the manager of a state cotton trading company. "It is a very traditional market. We have been unreliable and our prices too high. Once you lose a customer, it's hard to lure them back."

Experts also fear that the legacy of state control has eroded the business acumen needed for a switch to free market trading.

"The World Bank is behind the move to liberalise," said an industry source. "But we are talking about people who don't know the difference between selling short and selling long. We lack the expertise to revive the old exchange."

Higher US production expected

NEW YORK cotton traders expect next Monday's US Department of Agriculture crop production report to forecast US cotton output this season at between 1m and 2m bales higher than last year's, reports Reuters from New York.

In July, the department estimated that the crop would reach 16.2m bales (480 lb each), compared with last year's 15.55m bales.

Traders said that Monday's report would be the USDA's first "objective" yield forecast as it would be the first report of the season to be based on data gathered by the department itself. It is thus expected to give the most accurate picture of the US crop size to date.

But some warned that because of delayed plantings in much of the country's cotton-growing area this spring, it might still be too early in the growing season for a definitive production assessment to be made.

"Our estimate is 16.488m bales and others have ranged as high as 17.5m," said Mr Jarral Neeper, director of research at the Nashville-based Jernigan Group.

"The USDA has been out in the fields, counting and weighing bolls rather than just passing along what other people are telling them. In that sense, this report will have a little more meaning," he said.

"But I don't care who you talk to, everyone is a little confused right now. It's a mixed up crop nationwide and no one is completely comfortable with estimates," Mr Neeper said.

"The report will be significant and people will pay attention to it, but because of the crop situation at this early date, it will be viewed with some scepticism," he added.

Mr Ernest Simon, a cotton specialist at Prudential Securities, said he expected a crop forecast of about 16.55m bales but admitted that "no one really knows, everybody is guessing".

● Projections for the 1991-92 Chinese cotton crop have dropped to 22m bales, compared with an earlier forecast of 23.2m bales, a USDA officer said in a field report from Beijing based on the situation as at August 1.

He said that the lower production figure was expected because of flood damage in the provinces of the Yangtze River basin and minor drought stress in parts of the North China plain.

Peru's copper output recovers

PERU'S copper output rose 37.4 per cent in the first six months of 1991 compared with the same period last year, preliminary official figures showed, Reuters reports from Lima. But the rise was almost entirely accounted for by the resumption of almost full production after a long strike during the earlier period.

Copper production in the period reached 193,204 tonnes, compared with 140,620 tonnes in 1990, the Energy and Mines Ministry said.

Large companies raised output by 40.5 per cent because Southern Peru Copper Corporation, which accounts for two-thirds of the country's copper output, recovered production levels after a 50-day strike in early 1990, it said. Medium-sized companies' output grew by 11.1 per cent but production by small operators fell by 13.3 per cent.

The absence of strikes also helped zinc output rise by 6.8 per cent, with production from January to June reaching 307,581 tonnes, compared with 288,028 tonnes a year earlier. Again, large companies accounted for the bulk of the rise. Their output gain averaged 15.1 per cent compared with a 3.4 per cent rise for medium-sized companies and a 4.8 per cent fall for small operators.

The picture was similar for lead, with first-half production rising 8 per cent to 97,272 tonnes.

Silver output grew slightly during the period to reach 28.65m troy ounces, compared with 28.2m troy ounces a year earlier.

● Zaire's copper exports will reach 300,000 tonnes or more in 1991, but wildcat strikes are a growing problem, according to a senior executive at Gecamines, the state mining corporation, Reuters reports from Kinshasa.

"The introduction of (independent) trade unions and multi-party politics ... has led to wildcat strikes which seriously disrupt our business," said Mr Atumdu Liongo, chairman and managing director of Gecamines Commerciale.

The latest strike, which has disrupted shipments from mines in Shaba province, bordering on Zambia, was launched by Zairean rail workers last month, Mr Liongo said.

Gecamines accounted for 60 per cent of Zaire's export earnings and 30 per cent of the national budget, Mr Liongo claimed.

WORLD COMMODITIES PRICES

MARKET REPORT

STERLING'S weakness continued to support copper prices yesterday and on the London Metal Exchange the cash position closed £14.50 higher at £1,324.50 a tonne. But dealers described business as "routine", with the dollar price of the metal little changed. Aluminium's upward correction was halted in the absence of fundamental developments to encourage follow-through to Wednesday's technically-motivated rise. Dealers said the $4.50 fall to $1,275.50 a tonne for cash aluminium also reflected caution ahead of today's LME warehouse stocks report, which is expected to show reserves of the metal rising to a new record following Monday's small but unexpected fall. Nickel prices firmed again, but with the cash and three months positions both rising by $120 the cash premium remained at $12.50 a tonne. Dealers said the rise was halted when the three months position ran into resistance and selling at $8,300 a tonne. The price edged back from that level to close at $8,292.50 a tonne. London raw sugar futures had mainly dropped back by late afternoon reflecting New York's lower trend in the absence of supportive physical offtake. And cocoa futures continued to fall from the recent three-month highs.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.35-6.40u	+0.15
Brent Blend (dated)	$19.55-9.70	+0.25
Brent Blend (Sep)	$19.65-9.70	+0.25
W.T.I. (1 pm est)	$21.60-1.70u	-275

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$244-246	+2
Gas Oil	$188-189	+3
Heavy Fuel Oil	$69-71	+1
Naphtha	$201-203	+3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$357.25	-0.10
Silver (per troy oz)♣	397.50c	-1.0
Platinum (per troy oz)	$354.80	-0.95
Palladium (per troy oz)	$86.25	
Copper (US Producer)	107.0c	+1
Lead (US Producer)	50c	
Tin (Kuala Lumpur market)	15.42r	
Tin (New York)	264.5	+1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.75p	-0.98*
Sheep (dead weight)†	122.64p	-0.10*
Pigs (live weight)†	62.41p	-0.76*
London daily sugar (raw)	$295.0y	+9.4
London daily sugar (white)	$337.0y	-1.5
Tate and Lyle export price	£283	+5
Barley (English feed)	£109.	
Maize (US No. 3 yellow)	£178.5z	
Wheat (US Dark Northern)	£101.5z	+1
Rubber (Sep)♥	52.25p	
Rubber (Oct)♥	52.75p	
Rubber (KL RSS No 1 Sep)	227.5m	-1.5
Coconut oil (Philippines)§	$455q	
Palm Oil (Malaysian)§	$345.0u	
Copra (Philippines)§	$305z	
Soyabeans (US)	£152.0z	-3
Cotton "A" Index	74.80c	-0.2
Wooltops (64s Super)	370p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Oct/Dec u-Sep x-Jul/Aug y-Aug/Sep z-Aug j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	207.80	212.40	212.00	206.60
Dec	198.00	201.20	200.00	195.00
Mar	193.00	196.20	196.00	192.60
May	195.40	198.60	198.00	
Oct	197.00	200.20	198.00	195.60
White	**Close**	**Previous**	**High/Low**	
Oct	290.5	292.0	291.8	288.5
Dec	279.5	281.5	280.0	279.0
Mar	277.5	279.0	278.8	276.0
May	277.4	278.7	277.8	276.0
Aug	277.4	278.7	278.9	276.4

Turnover. Raw 519 (477) lots of 50 tonnes. White 1807 (1527)
Paris- White (FFr per tonne): Oct 1698

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Sep	19.66	19.43	19.71	19.43
Oct	19.68	19.50	19.71	19.45
Nov	19.69	19.59	19.73	19.60
Dec	19.67	19.53	19.71	19.61
Jan	19.56	19.40	19.56	
IPE Index	19.46	19.50	19.46	

Turnover 28079 (27736)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Aug	184.00	182.50	184.50	182.00
Sep	185.75	185.25	186.50	184.75
Oct	188.00	187.50	188.25	187.00
Nov	189.50	190.00	189.75	188.75
Dec	191.00	190.00	191.00	189.75
Jan	188.00	188.00	188.50	187.50
Feb	184.25	183.00	184.50	184.25
Mar	177.00	177.00	177.00	
Apr	174.50	174.00	175.00	

Turnover 11003 (12093)lots of 100 tonnes

FRUIT & VEGETABLES

Seedless Sultana grapes are 58-75p a lb (65-95p) and are this weeks best fruit buy reports the FFVIB.Peaches and nectarines are plentiful at 15-30p each (18-25p). Citrus fruits are another good buy with grapefruit at 25-35p each for white varieties,40-45p each. for red types and oranges at 10-30p each depending on size. Other good vegetable buys include courgettes at 35-60p a lb (35-60p). English carrots remain in good supply at 15-22p a lb (15-22p). Dutch and English tomatoes are at 55-70p a lb (75-80p). Lettuce is still a good summer buy with iceberg at 48-65p each (48-65p) and round lettuce at 25-35p each (25-35p).

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	648	663	661	648
Dec	688	698	697	686
Mar	722	730	730	721
May	739	748	747	739
Jul	757	766	765	757
Sep	775	783	783	775
Dec	808	807	808	805
Mar	829	833	832	829
May	842	849	847	841
Jul	860	864	865	860

Turnover: 8682 (8193) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne) Daily price for Aug 7 848.55 (857.11) 10 day average for Aug 8 833.47 (826.80)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Sep	519	526	524	515
Nov	542	548	547	539
Jan	562	571	569	561
Mar	580	587	585	578

Turnover: 7342 (4454) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 6 : Comp. daily 63.62 (64.21). 15 day average 63.89 (63.76)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	103.0	100.9	103.0	101.0

Turnover 92 (51) lots of 20 tonnes

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Dec	133.00	135.00	133.00	132.00
Feb	136.00		136.00	

Turnover 35 (76) lots of 20 tonnes

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Aug	1498	1470	1485	1470
Sep	1570	1539	1570	1535
Oct	1639	1634	1645	1625
Jan	1655	1635	1660	1635
Apr	1658		1640	1640
BFI	1442	1437	1442	

Turnover 216 (187)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Sep	111.45	111.15	111.20	111.20
Nov	115.15	114.90	115.10	115.00
Mar	121.85		121.70	
May	124.85	124.55	124.60	
Barley	**Close**	**Previous**	**High/Low**	
Sep	109.80	109.55	108.80	109.55
Nov	113.75	113.55	113.80	113.55

Turnover: Wheat 63 (78), Barley 126 (43)
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	101.0	101.0	100.0
Nov	102.0	101.0	101.0

Turnover 21 (28) lots of 3,250 kg

MGMI – London FOX

	Close	Prev	High	Low	Vol
Indx	138.99	138.24			
Sep	140.00	140.20	140.50	140.00	88
Oct	140.40	140.10	140.70	140.40	105
Dec	141.40	140.30	141.40	141.40	50
Jun	142.50	142.00	142.50	142.50	45

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 19,229 lots
Cash	1275-6	1279-81		1272-3		
3 months	1305-6	1311-12	1312/1302	1303-4	1304-6	110,256 lots
Copper, Grade A (£ per tonne)						Total daily turnover 12,100 lots
Cash	1324-5	1309-11		1316-8		
3 months	1345-5.5	1332-3	1347/1335	1337-7.5	1346-7	124,908 lots
Lead (£ per tonne)						Total daily turnover 1,818 lots
Cash	322.5-323	320.5-22.5	323/322.5	322.5-2.75		
3 months	333-333.5	332.5-3.5	334.5/331	333.25-.50	334-4.5	14,062 lots
Nickel ($ per tonne)						Total daily turnover 1,315 lots
Cash	8300-10	8180-90	8260	8260-65		
3 months	8290-95	8170-75	8295/8225	8250-55	8270-75	13,779 lots
Tin ($ per tonne)						Total daily turnover 2,326 lots
Cash	5695-05	5700-10		5705-10		
3 months	5780-90	5783-85	5795/5780	5790-95	5785-90	7,246lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,361 lots
Cash	1064-4.5	1061-3	1064.5/1063	1064-5		
3 months	1078-80	1077-78	1079/1078	1078.5-9	1077-8	29,626 lots

LME Closing £/$ rate:
SPOT: 1.6990 3 months: 1.6830 6 months: 1.6638 9 months: 1.6469

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	357.0-357.50	
Opening	356.50-356.90	
Morning fix	357.00	207.957
Afternoon fix	357.60	209.675
Day's high	358.10-358.30	
Day's low	364.40-364.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.15	6 months	5.08
2 months	5.11	12 months	5.03
3 months	5.10		

Silver fix	p/fine oz	US cts equiv
Spot	231.65	397.25
3 months	237.95	402.75
6 months	243.65	408.70
12 months	255.85	420.65

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	358.00-359.00	210.00-210.50
Maple leaf	366.00-367.00	214.50-215.00
New Sovereign	86.00-87.00	50.50-51.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1200	91	127	1	10
1300	18	60	28	40
1400	1	21	110	99
Copper (Grade A)	**Calls**		**Puts**	
2150	125	138	5	42
2250	50	82	29	84
2350	12	44	91	144
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	27	52	1	4
550	2	19	26	21
600		5	74	57
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
625	31	84	7	21
650	17	68	18	30
675	8	64	34	41
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1900	1		2	20
1950	20		14	
2000	3	29		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	357.2	356.6	358.0	356.4
Sep	358.3	357.8	358.0	358.0
Oct	360.0	359.5	360.7	359.1
Dec	363.3	362.8	364.1	362.5
Feb	366.6	366.1	367.2	366.0
Apr	369.6	369.2	370.5	369.2
Jun	372.8	3372.4	373.3	372.4
Aug	376.1	375.7	0	0
Oct	379.4	379.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	347.4	354.9	0	0
Oct	350.9	358.4	357.5	350.0
Jan	355.6	363.1	362.5	355.0
Apr	359.6	367.1	366.0	363.0
Jul	363.6	371.1	0	0
Oct	371.6	379.1	0	0
Oct	387.9	387.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	391.1	395.4	0	0
Sep	392.7	397.0	398.5	392.0
Oct	394.8	399.1	0	0
Dec	399.2	403.6	405.0	398.5
Jan	400.7	405.1	0	0
Mar	406.1	410.6	412.0	405.5
May	410.8	415.3	416.0	415.0
Jul	415.5	420.1	421.0	417.0
Sep	420.4	425.1	425.5	421.0
Dec	428.3	433.2	433.5	431.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	102.30	102.30	102.40	102.15
Sep	102.35	102.55	102.70	102.00
Oct	101.75	101.85	101.50	101.50
Nov	101.40	101.55	101.10	101.10
Dec	101.00	101.20	101.20	100.80
Jan	100.40	100.60	0	0
Feb	90.95	100.15	0	0
Mar	99.45	99.65	99.40	99.40
Apr	98.80	99.00	0	0
May	98.20	98.40	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	21.65	21.36	21.72	21.46
Oct	21.53	21.30	21.60	21.37
Nov	21.41	21.23	21.47	21.28
Dec	21.24	21.13	21.30	21.12
Jan	21.15	21.01	21.17	21.07
Apr	20.74	20.64	20.70	20.62
May	20.70	20.55	20.60	20.60
Jun	20.60	20.49	20.53	20.51

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5955	5898	5990	5920
Oct	6065	6016	6100	6035
Nov	6175	6126	6205	6130
Dec	6275	6224	6300	6240
Jan	6290	6243	6320	6250
Mar	5940	5858	5940	5890
May	5550	5473	5550	5550
Jun	5648	5670	5725	5595

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1050	1069	1056	1045
Dec	1113	1130	1125	1108
Mar	1156	1168	1162	1148
May	1185	1192	1183	1177
Jul	1202	1213	1205	1193
Sep	1233	1236	1225	1225
Dec	1263	1266	0	0
Mar	1298	1310	0	0
May	1320	1329	1311	1307
Jul	1355	1364	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	80.70	81.65	81.75	80.00
Dec	84.40	85.15	85.10	83.50
Mar	88.00	88.70	88.30	87.25
May	90.20	90.75	90.65	89.60
Jul	92.70	93.00	93.00	92.30
Sep	95.20	96.00	95.00	94.50
Dec	97.75	98.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.15	9.32	9.28	9.13
Mar	8.73	8.87	8.82	8.72
May	8.71	8.86	8.80	8.71
Jul	8.67	8.85	8.77	8.66
Oct	8.70	8.82	8.75	8.70

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	68.77	70.85	69.35	68.75
Dec	68.90	71.47	69.44	68.82
Mar	70.26	72.12	70.75	70.25
May	71.05	68.45	71.45	71.05
Jul	71.70	68.10	0	0
Oct	68.52	0	68.47	68.45

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	117.70	118.15	117.80	117.00
Nov	116.70	117.15	116.80	116.05
Jan	115.85	116.30	116.15	115.80
Mar	116.30	116.85	117.00	116.25
Jul	116.50	117.05	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug.8	Aug.7	mnth ago	yr ago
1685.9	1688.5	1729.6	1791.3

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.7	Aug.6	mnth ago	yr ago
Spot	119.31	120.08	123.41	131.71
Futures	122.04	122.59	126.70	132.45

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	555/4	557/2	560/4	549/6
Sep	560/0	561/0	565/4	552/0
Nov	570/0	571/0	575/4	562/6
Jan	580/6	581/6	588/0	573/4
Mar	590/0	592/0	596/0	589/0
May	598/0	600/0	603/0	593/0
Jul	601/0	605/0	608/4	599/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	20.04	20.57	20.55	[illegible]
Sep	20.07	20.65	20.72	20.00
Oct	20.22	20.82	20.85	[illegible]
Dec	20.62	21.19	21.25	[illegible]
Jan	20.70	21.30	21.42	20.70
Mar	21.13	21.60	21.69	21.11
May	21.36	21.75	21.88	21.30
Jul	21.51	21.95	22.00	21.51
Sep	21.90	0	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	177.9	175.9	178.3	174.0
Sep	176.1	175.0	176.6	175.0
Oct	175.7	174.5	176.0	[illegible]
Dec	176.0	174.6	176.2	172.5
Jan	176.2	174.5	176.3	173.0
Mar	176.2	174.7	176.5	[illegible]
May	176.7	175.5	177.0	175.5
Jul	176.5	175.5	177.0	174.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	250/0	248/4	251/2	248/0
Dec	253/6	252/2	255/2	249/4
Mar	260/0	259/2	261/4	256/0
May	264/0	263/0	264/8	260/2
Jul	266/4	265/2	267/0	262/4
Sep	255/0	253/0	255/0	253/0
Dec	252/2	250/0	252/4	249/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	294/2	292/6	295/2	289/4
Dec	307/4	306/0	309/0	302/6
Mar	313/6	312/0	314/6	308/4
May	309/0	307/4	310/4	305/0
Jul	299/4	297/4	300/4	297/0
Sep	307/0	306/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	65.62	67.00	66.35	65.60
Oct	68.85	70.12	69.60	68.82
Dec	71.40	72.30	72.40	71.15
Feb	71.15	72.00	71.85	71.00
Apr	72.12	72.85	72.87	72.10
Jun	70.65	71.30	71.30	70.65
Aug	69.25	70.25	69.90	69.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	51.25	52.15	52.15	51.30
Oct	43.20	43.37	43.87	43.00
Dec	42.70	43.10	43.35	42.65
Feb	42.95	42.97	43.15	42.60
Apr	41.80	42.00	42.15	41.70
Jun	46.30	46.62	46.70	46.25
Jul	46.55	46.87	0	46.65
Aug	44.97	45.42	0	44.30

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	42.75	42.05	42.95	41.98
Feb	47.67	47.25	48.35	47.10
Mar	47.15	46.57	47.75	46.55
May	48.10	47.70	48.70	48.10
Jul	46.90	49.00	49.25	[illegible]
Aug	45.55	45.60	0	45.55

LONDON STOCK EXCHANGE

Shares edge upwards in late trading

By Terry Byland, UK Stock Market Editor

A LACK of follow-through in New York and European markets to this week's unexpected reduction in US Federal Funds rate left London initially without direction yesterday. But as the Dow Industrial Average challenged its peak early in the new Wall Street session, UK equities edged above the FT-SE 2,600 mark, *closing just under* the peak on the Index reached last Friday.

Traders reported that, beneath a calm exterior, the London market attracted significant institutional interest yesterday. Seaq-reported volume increased to 504.3m shares from the 490.8m of the previous session. Retail, or customer, interest in equities rose to £1.2bn on Wednesday, and market specialists believed that the value total for yesterday,

Account Dealing Dates		
*First Dealings:		
Jul 29	Aug 12	Sep 2
Option Declarations:		
Aug 8	Aug 29	Sep 12
Last Dealings:		
Aug 9	Aug 30	Sep 13
Account Day:		
Aug 19	Sep 9	Sep 23

*New-time dealings may take place from 8.30 am two business days earlier.

when announced this morning, will confirm a high level of retail business. The contrast between high volume and the narrow trading range in market indices would suggest that institutions were balancing portfolios to reflect the new trading range established on a base around Footsie 2,550.

After moving closely around its overnight levels, the FT-SE Index ended the session firmly, with a net gain on the day of 3.2 taking it to 2,600.6, with the *all-time peak now only 1.1* points ahead.

Trading volume was swollen by a placing of more than 20m shares in Racal Electronics as the market awaited the meeting today of Electronics shareholders to approve the proposed demerger of the two companies.

Also, the stock market faced another heavy list of company results. However, in the event the response to trading news from such leading names as BP, Shell, British Telecom, and BOC was restrained.

Equity strategists stressed that, although the UK stock market appears to be in a fairly optimistic mood, the central question for London investors remains what the Bundesbank will do next Thursday when it meets to discuss German *interest rates and what* will be the next trend in the New York market.

Mr Trevor Laugharne, of Kleinwort Benson Securities, the London merchant bank, said that a full-point rise in the German Lombard rate would set the FT-SE back just at a time when it faces a heavy rights issue load, and that any bounce in London would then have to wait until the next base rate cut arrived.

On the domestic scene, the outlook remained gloomy as investors absorbed this week's heavy round of job cuts at leading British companies. Consumer-orientated issues moved narrowly around recent levels, with the food manufacturing and retailing stocks still unsettled by indications this week of a renewed price war in the *supermarkets of Britain.*

But building and construction shares found selective support as some investors took the view that the sector has suffered enough.

Financial stocks had a quieter session as the market continued to take a relatively *favourable view of trading* news from the UK clearing banks. Insurance shares traded quietly, awaiting further trading news from the leading names.

However, leading market indices were helped by firm performances by several blue chips. ICI and Hanson both found buyers, underlining the market's inability to decide on where Hanson's acquisition of a stake in the blue chip chemical company will lead.

Placing in Racal Elect

SHARE turnover in Racal Electronics rose to 27m as Smith New Court, the London securities firm, placed 20.4m with institutions at 214p. Racal Electronics' demerger from Racal Telecom is expected to be approved at its annual general meeting today. On September 16 the two companies will trade on the stock market as Racal Electronics and Vodaphone Group.

The Racal Electronics' shares were issued to cover the expenses of the demerger, to finance payment for those convertible loan stockholders wanting cash rather than the new Racal Electronics shares, and for Racal Electronics to purchase sufficient Racal Telecom shares to make the demerger tax efficient in the US.

The shares were quickly placed with institutions. Racal Electronics closed 5 higher at 218p, while Racal Telecom ended 13 stronger at 335p.

Oils active

Shell and BP fell as second-quarter results from both companies came in at the low end of the range of expectations and triggered a welter of downgradings from analysts.

Mr John Toalster, long cautious on the oil sector, said the main disappointment from Shell was the performance of the chemicals businesses. "A £65m currency gain was the main saving grace." He trimmed his historic cost forecast for the current year from £3.15bn to £2.97bn.

The more bullish Kleinwort Benson analysts made a similar adjustment on Shell and cut their estimate for BP by £140m to £960m. Mr Nick Clayton at Smith New Court left his figures unchanged and argued that the fall in the share prices was the result of downgrading elsewhere rather than any surprise in the results. Shell slipped 4 to 523p while BP eased 1¼ to 342p.

BOC pleases

An 8.8 per cent decline in nine-month profits to £235m from BOC was slightly better than expected. Any buying as a result found few willing sellers and the shares climbed 11 to 586p. Analysts at both UBS Phillips & Drew and Kleinwort Benson said the most important news with the results was the company's assurance that *it would take decisive action* over its Glasrock home healthcare division. The analysts interpreted this as meaning disposals, closures or both, and said this would be positive for the share price.

The good sentiment in BOC spilled over into Courtaulds, where a similar stock shortage pushed the share price 10 higher to 450p.

A slight recovery in the dollar against sterling fed through to international stocks. Hanson led the way on US buying with a gain of 3¼ to 214½p. Turnover of 10m shares represented the busiest day's trading in the stock for almost a month. Glaxo firmed 9 to equal its previous record high of 1303p, Reuters added 11 at 836p and Wellcome put on 7 to 726p.

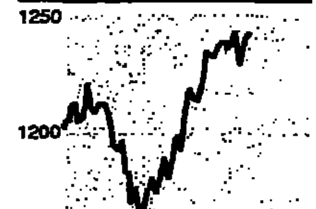
Smith & Nephew posted first-half profits down from £364m to £357m, a better performance than the market had feared. Mr James Culverwell at Hoare Govett said the figures "reinforce our view that the company is reaching a turning point". He forecast accelerating profits growth. The shares closed 2 up at 135½p, after touching 136½p. Turnover was the highest for almost a month at 5.7m.

British Telecom was down ½ at 389p after it announced higher than expected first-quarter profits of £825m, up 11 per cent. Mr Chris Tucker at Carr Kitcat & Aitken said he would be leaving his full year estimate of £3.31bn unchanged. But on the plus side he noted that the trend towards lower call volume growth appeared to be slowing.

Insurance broker Sedgwick saw heavy turnover after securities house Smith New Court traded a block of 1.8m shares at 266p. The stock closed unchanged at 268p.

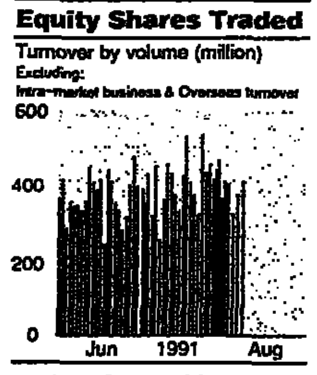
Commercial Union continued to gain ground in early trading after announcing slightly better interim results on Wednesday than the market had foreseen. The shares slipped a few pence yesterday afternoon to finish a net 5 up at 545p, after reaching 549p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



One of the main planks of confidence in CU's interim statement was the suggestion that premium rates will rise. That is expected to benefit Sun Alliance, which rose 9 to 394p.

The banks appeared to find a level following their sharp changes prompted by half-year results during the past couple of weeks. Most were still firm ahead of the dividend payments.

Barclays hardened 3 to 465p, and NatWest was a penny better at 344p on good turnover of 5.8m. Royal Bank of Scotland, which warned on Wednesday of poor forthcoming results, and Midland, which came in with losses worse than expectations last Friday, were unaltered at 183p and 239p respectively. However, Lloyds Bank, which has risen steadily on the back of good results a week ago, relinquished 5 to 376p as profit-takers moved in.

Merchant banking group Kleinwort Benson reported a 19 per cent drop in first-half profits, in line with market forecasts, and held out little *hope of better prospects in the* second half. The shares ended unchanged at 321p after being 7 ahead at one stage. Kleinwort posted profits of £24.7m against £30.3m last time and maintained its dividend at 5.3p. Some analysts had hoped for similar figures to last year but most were not surprised. "The results are as I expected," said Alison Deuchars at securities house Smith New Court. "They are pretty dull really."

Burton firmed 2 to 34p as fears over the take-up by investors of its recent £161m rights issue began to recede. The shares are now comfortably above the rights price of 30p after several brokers had urged shareholders to take up their rights. In recent days the nil-paid shares have been the focus for market concern over whether some large holders would take up their rights. But yesterday they closed up 2¼ at 4p, after a low of ¼p earlier in the week. Shareholders have until Tuesday to take up the rights.

A story that Grand Metropolitan was about to sell its Burger King fast food chain pushed the shares briefly higher. The suggestion was widely disbelieved, however, and the stock retreated from a day's high of 798p to end at 794p for a net gain of 3. Talk of an upgrading from a large agency broker helped Bass rise 7 to 922p.

In an otherwise quiet leisure sector, holiday tour operator Airtours leapt 30 to 580p, yet another record high. Analysts were at a loss to explain the rise.

Naaz Holdings confirmed that it had once more edged up its stake in hotel group Buckingham International. It now has 29.96 per cent. The shares, strong earlier in the week, lost 2 to 25p.

Food retailing shares continued to be depressed by fears of a price war breaking out. Tesco announced earlier in the week that it was bringing forward a promotional campaign involving lower prices for own brand goods. Yesterday, the concern about a price war revived after Asda advertised lower prices in a national newspaper. Asda ended unchanged at 90p, while Tesco was down 4 at 273p.

A large buy order pushed Yorkshire Chemicals up 11 to 483p as one securities house hunted around the market for stock in the tightly traded dye stuffs company.

The shares have surged ahead by 40 per cent over the past six months. Yorkshire's recent results pleased observers and there has been buying ahead of the release of the *interim dividend on Monday.*

An agency cross of 815,000 *shares at 337½p depressed BM* Group, the maker and distributor of construction and other industrial equipment. The shares fell 5 to 341p.

AIM Group, the aviation and general engineer, moved forward 10 to 120p on thin volume, reflecting a positive statement at the company's recent annual meeting.

The appearance of a buyer in what is usually a very thinly traded stock was said to have been behind a rise of 7 to 165p for Gestetner.

Positive sentiment following Wednesday's better than expected interim results lifted GKN another 11 to 360p. Turnover at 737,000 was, however, down from Wednesday's 2.3m. Lucas Industries benefited from the favourable sentiment in GKN, moving up 5 to 145p on turnover of 2.7m.

ASW Holdings shed 5 to 231p. Smith New Court yesterday cut profits expectations for the first half of the current year from £19m to £14.8m.

Speculation that UK new car sales for August may be better than expected benefited British Aerospace, owners of Rover, and Lex Service. BAe gained 5 to 573p on turnover of 1.1m, while Lex put on 5 to 203p.

MARKET REPORTERS:
Daniel Green, Peter John, Joel Kibazo, Jim McCallum.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (58).
BRITISH FUNDS (3) Fd. 6pc 1993, Treas. 2pc IL 1992, Treas. 2pc IL 1994, **BANKS** (2) Midland, Warburg (SG), **CHEMICALS** (6) BTP, Cambridge Isotope Labrs., Halstead (J), ICI, Plysu, Yorkshire, **STORES** (6) Courts, Dixons, Fine Art Devs., Kingfisher, Do. 8½pc 2000, Sherwood, **ELECTRICALS** (6) Alba, Electronic Data Processing, Electrocomponents, Manvier-Swain, Real Time Control, Renishaw, Thorn EMI, Wholesale Fttgs., **ENGINEERING** (3) Fairey, Spirax-Sarco, Wagon Indl., **FOODS** (3) Cranswick Mill, Dalepak, Sims, **INDUSTRIALS** (6) AAH, Assoc. British Ports, BSS, Courtaulds, Portals, Reliance Secs., **INSURANCE** (2) Domestic & General, Refuge, **LEISURE** (3) Airtours, Border TV, Euro Disney, **MOTORS** (1) Cowie (T), **NEWSPAPERS** (1) Headline Book Publishing, **PAPERS** (1) Addison Consultancy, **TRANSPORT** (4) British Airways, Do Cap. 9¾pc Cnv., NFC, Tibbett & Britten, **TRUSTS** (8) Aberforth Smaller Wrrnts., Intrum Justitia, Law Deb., Merchants Tst., River & Mercantile, TR Technology Stppd. Prf., **MINES** (1) Doral Res.

NEW LOWS (33).
CANADIANS (2) Central Capital A, Imperial Oil, **BUILDINGS** (2) Costain, Higgs & Hill, **CHEMICALS** (1) European Colour, **ELECTRICALS** (3) Acorn Computer, Microvitec, Trace Computers, **ENGINEERING** (4) Firth (GM), WB Inds., Westland, Wheway, **FOODS** (2) Albert Fisher, Regina Health, **HOTELS** (1) Savoy A, **INDUSTRIALS** (7) Clayhithe, Clearmark, Courtney Pope, Jourdan (T), Nu-Swift, Whitecroft, Wyko, **LEISURE** (2) TVS Entertainment 7 4pc Prf., TV-am, **PAPERS** (1) Serif Cowells, **PROPERTY** (3) Arcadian Intl., Greycoat, Hemingway, **TRUSTS** (1) Fleming European Fldg. Wrrnts., **OILS** (4) Alliance Res., Ex. Co. of Louisiana, KC Oil & Gas, Richmond.

FINANCIAL TIMES STOCK INDICES

	Aug 8	Aug 7	Aug 6	Aug 5	Aug 2	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	85.68	85.65	85.43	85.85	85.33	77.98	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.48	94.49	94.45	94.01	93.89	88.15	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	2024.0	2014.9	1989.0	1999.4	2014.6	1752.8	2024.0 (8/8)	1608.3 (16/1)	2024.0 (8/8/91)	49.4 (26/6/40)
Gold Mines	178.2	178.7	176.6	177.1	180.7	203.7	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2600.6	2597.4	2573.3	2585.4	2601.7	2244.9	2601.7 (2/8)	2054.8 (16/1)	2601.7 (2/8/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1174.09	1174.76	1166.29	1174.83	1178.49	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.66	4.70	4.76	4.74	4.70	5.35				
●Earning Yld %(full)	7.82	8.09	8.19	8.15	8.08	11.56				
●P/E Ratio(Net)(*)	15.66	15.27	15.09	15.16	15.27	10.53				
SEAQ Bargains 4.45pm	28,144	28,376	26,377	25,658	27,356	18,306				
Equity Turnover(£m)†	-	1193.43	823.15	693.10	911.63	743.45				
Equity Bargains†	-	28,768	26,603	25,039	27,636	16,849				
Shares Traded (ml)†	-	410.3	379.1	319.0	412.2	270.6				

Ordinary Share Index, Hourly changes — Day's High 2024.0 — Day's Low 2007.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2015.0	2007.7	2013.3	2019.4	2020.1	2019.7	2020.1	2018.8	2021.5

FT-SE 100, Hourly changes — Day's High 2600.6 — Day's Low 2588.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2597.4	2589.5	2594.7	2597.3	2598.4	2597.2	2598.6	2596.5	2598.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1175.39 — Day's Low 1171.42

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1171.42	1172.65	1174.58	1174.03	1174.60	1173.76	1173.63

GILT EDGED ACTIVITY

Indices	Aug 7	Aug 6
Gilt Edged Bargains	121.3	97.2
5-Day average	95.5	85.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	19	496	
ASDA Group	4,400	89	
Abbey National	1,700	303	
Albert Fisher	3,300	110	
Allied-Lyons	1,000	581	
Amstrad	1,400	52	
Anglian Water	858	364	
Argos	329	323	
Argyll Group	4,300	305	
Arjo Wiggins	1,100	278	
Ass. Brit. Foods	1,300	536	
BAA	915	438	
BAT Inds.	978	738	
BET	2,800	211	
BICC	956	457	
BOC	1,500	586	
BPB Inds.	386	192	
BTR	2,500	423	
Bank of Scotland	510	119	
Barclays	2,100	465	
Bass	615	922	
Beazer	5,200	91	
Berisford Int.	1,000	39	
Blue Circle	2,400	263	
Booker	127	486	
Boots	447	419	
Bowater	337	655	
Brit. Aerospace	1,100	573	
British Airways	6,600	184	
British Gas	8,500	269	-3½
British Land	301	296	+2
BP	5,100	342	-1¼
British Steel	3,200	121½	
British Telecom	3,500	389	-½
Bunzl	1,300	98	+1
Burmah Castrol	255	568	
Burton	5,000	34	+2
Cable & Wire	1,200	581	
Cadburys	2,000	375	+7
Calor Group	35	224	
Carlton Comms.	947	471	-8
Coats Viyella	3,900	172	+1
Comm Union	420	545	+5
[illegible]			
Hillsdown	2,400	224	-2
IMI	175	247	+1
ICI	763	1349	+5
Inchcape	623	375	-2
Kingfisher	1,700	545	+2
Ladbroke	1,800	274	+1
Land Securities	456	506	-4
Laporte	230	554	
Legal & General	387	440	-1
Lloyds Abbey	610	436	+4
Lloyds Bank	2,300	376	-5
LASMO	318	331	
London Elect	913	190	-1
Lonrho	515	244½	+1
[illegible]			
Reed Intl	617	443	
Renold	35	345	
Reuters	1,000	836	+11
Rolls Royce	1,500	153	-½
Rothmans	64	1061	+3
Ryl Bk Scotland	2,100	183	
Royal Insurance	1,400	403	-4
Saatchi	1,300	18¼	
Sainsbury	1,200	375	-1
Scottish & New	1,600	418	-3
Scot. Hydro-Elect.	1,400	114	
Scottish Power	3,900	108½	-1
Sears	5,800	81½	+1½
Sedgwick	3,700	268	
[illegible]			
Ultramar	448	274	-2
Unigate	1,200	305	+2
Unilever	1,900	767	-3
United Biscuits	1,800	390	+1
Utd. Newspapers	33	363	-1
Wellcome	609	726	+7
Welsh Water	303	398	+2
Wessex Water	127	381	+1
Whitbread 'A'	780	467	-1
Williams Hldgs.	456	324	+1
Willis Corroon	510	322	+3
Wimpey	313	178	+1
Yorkshire Elect.	409	233	-1
Yorkshire Water	56	377	+1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER in London traded options continued to increase yesterday following the boost to confidence given by the *recent reduction in US Federal* Funds rate, writes Jim McCallum.

Once again activity was concentrated in call options, particularly in the FT-SE 100 index. National Power was also in demand as positions were closed before the options went *ex-dividend* yesterday.

RTZ was the busiest stock on speculative buying of November 600 calls as higher copper prices and talk of a bid *from Hanson* boosted the shares.

Just under 25,000 options changed hands, up about 15 per cent on the day and considerably above the depressed levels of earlier in the week.

But the rise in volume, while welcome news, is still insufficient to support the current number of brokers committed to the market. Analysts say daily turnover of 30,000 contracts is needed for the market to break even.

Many dealers said the recent uncertainty over the future of the options market is still depressing turnover and is making it difficult to execute larger trades. One manager at a securities house said there almost appeared to be a boycott of options by investors.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
[illegible]						
Five to Fifteen Years						
100¼	95⅝	Conversion 10pc 1996	99⅞	+⅛	10.03	10.04
99⅞	97¼	Do 10pc 1996 B	99¾	+⅛	10.11	10.26
113⅝	108⅝	Treas 13¼pc 1997‡‡	112⅛		11.81	10.24
102⅞	97¼	Exch 10½pc 1997	101⅞		10.33	10.07
94⅝	89⅜	Treas 8¾pc 1997‡‡	94⅜	+⅛	9.27	9.99
122⅜	117	Exch 15pc 1997	120⅝	+⅛	12.43	10.36
98⅝	93⅝	Exch. 9¾pc 1998	98⅝	+⅛	9.90	10.05
86⅞	80⅝	Treas 6¾pc 1995–98‡‡	86⅞		7.81	9.51
127⅜	121¼	Treas. 15½pc '98‡‡	125⅝	+⅛	12.31	10.25
109⅝	104¼	Exch. 12pc 1998	109⅛	+⅛	10.99	10.15
97⅞	92⅜	Treas 9½pc 1999‡‡	97⅝	+⅛	9.72	9.91
111⅝	105⅝	Exch. 12¼pc 1999	110⅝	+⅛	11.07	10.18
102⅞	97⅜	Treas. 10½pc 1999	102⅜		10.28	10.07
101¼	95⅞	Conversion 10¼pc 1999	100⅝	-⅛	10.17	10.08
94⅝	89⅝	Conversion 9pc 2000‡‡	94⅝		9.50	9.91
116⅝	110½	Treas. 13pc 2000	115⅝	-⅛	11.24	10.26
100⅝	94⅝	Treas 10pc 2001	99⅞	-⅛	10.01	10.00
118⅝	113⅝	Treas. 14pc '98–01	117⅝	+⅛	11.92	10.32
98⅝	92⅝	Treas 9¾pc 2002	98⅛		9.92	9.99
100⅝	94⅝	Treas 10pc 2003	100⅛		9.98	9.96

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
108¼	102	Treas. 11½pc 2001–04	107⅝	-⅛	10.69	10.21
59⅞	53⅞	Funding 3½pc '99–04	59½	+⅛	5.88	8.78
[illegible]						
Over Fifteen Years						
[illegible]						
Undated						
[illegible]						
Index-Linked						
[illegible]						

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1990: 130.0 and for June 1991: 134.1.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
103⅝	95⅞	African Dv Bk 11¼Ln 2010	103⅛	-⅛	10.77	10.70
98⅞	91⅞	Asian Dev Bk 10¼ pcLn 2009	98⅞	-⅛	10.43	10.46
[illegible]						

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Restructure at British Linen Bank

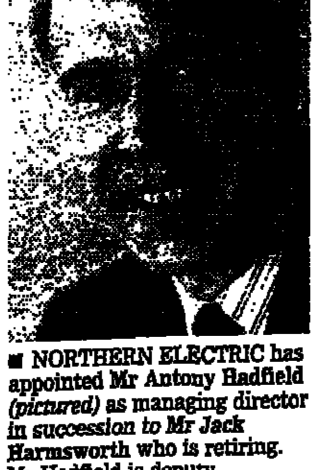
■ THE BRITISH LINEN BANK, Edinburgh, merchant bank of Bank of Scotland Group, has formed a holding company, British Linen Bank Group, covering three subsidiaries - The British Linen Bank, Capital Leasing, and DFM Holdings, the intermediate parent company of Dunedin Fund Managers. All members of the new group board are directors of British Linen Bank, other than Mr Alick M. Rankin who has been appointed a non-executive director. He is chairman of Scottish and Newcastle Breweries, and a director of Bank of Scotland. Six additional directors have been appointed to the court of directors of The British Linen Bank. They are: Mr D.R. Black, Mr L.M. Forbes, Mr J.E. Kidd, Mr J. McCabe, Mr E.D. Murray and Mr C.W. Young. With the exception of Mr Forbes, who is senior vice president in the bank's Jacksonville office, the others are divisional directors, based in Edinburgh. Mr Forbes will be returning to the UK to take charge of the Manchester office.

■ INSURANCE BROKERS INTERNATIONAL, Lloyd's broker, has appointed Mr Anthony R.L. Oakley as a director. He recently formed a retail subsidiary of IBI. Mr Graham Roberts, Mr Neil Drogman and Mr David Bacon have joined IBI to form an aviation division.

■ MEES & HOPE INVESTMENT MANAGEMENT has appointed Mr Gerald Sweeting to the board with responsibility for new business development.

■ *Dr M.D. Cannell* has been appointed managing director of FENNER INTERNATIONAL. He was a director of Summit Equity Ventures.

Northern Electric chairman



■ NORTHERN ELECTRIC has appointed Mr Antony Hadfield *(pictured)* as managing director *in succession to Mr Jack* Harmsworth who is retiring. Mr Hadfield is deputy chairman and chief executive of Northern Ireland Electricity, and takes up his new post in November. Mr William Hook, *personnel director, power* division, becomes an executive director from October 1. Dr David Marsh has been appointed chief engineer, power division. He was marketing director (switchgear) with Dorman Smith.

■ Mr Nick Templeton-Ward has been appointed sales and marketing director of PLYSU, Milton Keynes. He was with Albright & Wilson.

■ Mr John Sykes has been appointed operations director *of THE CADMUS* ORGANISATION, Hurstpierpoint, a corporate finance house.

■ Mr Chris Masterson has been appointed an executive director of MIDLAND MONTAGU VENTURES. He was with 3i and Castleforth Fund Managers.

■ Mr Nick Pearch has been appointed finance director of THE TAUNTON CIDER COMPANY. He was head of planning and analysis with *Granada Group.*

■ NORWEST HOLST HOLDINGS, a subsidiary of Société Générale d'Enterprises (SGE), has made the following board changes. Mr Peter Mason has been appointed chairman, succeeding Mr Campbell Allan who continues as a non-executive director. Mr Mason is succeeded as managing director by Mr Chris Bucknall who was running Rosser & Russell which *Norwest Holst acquired last* year. Mr Andy Stoddart becomes deputy managing director. Mr Antoine Zacharias, SGE's managing director, joins the board to strengthen links with the parent company. SGE is a member of the Compagnie Générale des Eaux Group.

■ CREDIT LYONNAIS LAING has appointed Mr Philip Kelly as chief executive. He was managing director of Systemsolve Computer Services. Mr Michael Slinn has retired from the board.

Miss Michelle S. Doughty *(pictured)* has been appointed assistant director of the European equities department at HOARE GOVETT SECURITIES. She was an assistant director at Girozentrale Gilbert Eliott.

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AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
33¼	20⅞	Abbott Laboratories$1	31⅞	–⅛	$1.00	–	1.9
385p	257p	♦Allegheny & W 1c	291p		30c	–	6.1
10¼	667p	Amdahl 5c	831pd	–10	10c	–	0.7
42⅛	25⅛	Amer Cyanamid $5	38⅞	+1	$1.50	–	2.3
17⅞	9⅞	Amer. Express 60c	15⅞	–⅜	92c	–	3.5
24½	15¼	American T. & T. $1	23¼	–¼	$1.32	–	3.4
38⅞	32½	Ameritech $1	35⅛	–¼	$3.40	–	5.6
24	12	BankAmerica $1	21	+	$1.20	–	3.4
34¼	20	Bankers N Y. $1	34	+	$1.52	–	8.4
30½	24¼	Bell Atlantic $1	28	–¼	$2.52	–	5.3
31¼	25	BellSouth Corp.	27⅞	–⅛	$2.76	–	5.9
11¼	6	♦Bethlehem Steel $8	9⅞	–	40c	–	2.4
1839p	1046p	Bowater Inc.	1508p	+2	$1.20	–	4.7
9½	4½	Brunswick 75c	8½	–	44c	–	3.1
54	37	CPC Intnl 25c	51	+	$2.00	–	2.3
852p	420p	California Engy	782p		–	–	–
50	28¼	Campbell Soup 15c	47¼	+	$1.16	–	1.4
12⅝	5	Chase Manhattan $12½	11½	–	$1.20	–	6.3
9	5	Chrysler $6¼	7	–	60c	–	4.8
10⅛	5	Citicorp $1	8¼	–	$1.00	–	7.2
25	21	Colgate-Palmolive $1	23	+	$1.06	–	2.7
845p	438p	Cont'l Bank Corp $4	809p	+5	$1.00	–	7.3
21⅝	13	Dana Corp $1	18⅝	–½	$1.60	–	5.1
1106p	203p	Data General	1027p	+18	–	–	–
22⅛	12⅞	Dial Crop. $1.5	20	–	$1.40	–	4.0
29⅝	20¼	Dun & Bradstreet $1	26	–⅛	$2.16	–	4.9
40	24¼	Eaton Corpn 50c	37	–	$2.20	–	–
8½	5½	Echlin Inc	8	+	70c	–	5.2

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on *profit after taxation and unrelieved ACT where applicable*; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for *rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; *reduced final and/or reduced earnings indicated*
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Craig & Rose £1.. β	640	......
Finlay Pkg. 5p.... β	28	......
Holt (Jos) 25p..... β	1978	......
Helton Hldgs........γ	33	-5
IRG........................	138	......
United Drug..........	178	......

IRISH

Stock	Price	+ or -
Cap. 8½% Ln. 2010...	£93½	......
9pc Cap Ln. 1996..	£97¼	......
Fin. 13% 97/02...	£114	+½
Arnotts...................	171	+1

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	46
Amstrad	7
Aster (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	30
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Stock	p
Brit Land	38
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Stock	p
Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	38

Mines

Stock	p
Lonrho	23
RTZ	48

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AUTHORISED UNIT TRUSTS

Maiden Unit Trust Managers Ltd (1400)F

15 St Botolph St, London EC3A 7EE 031 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maiden General	0	114.6	114.6xd	117.6	[illegible]	4.94

Manulife Management Ltd (1200)H

St George's Way, Stevenage Dealings 071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	135.2	136.5	145.2	+0.4	3.75
Gilt & Fxd Int	5	147.0	147.0	154.6		8.19
Intl Growth	5¼	147.6	147.6	157.0	-0.4	0.47
North American♥	5¼	97.71	97.71xd	103.9	+0.3	0.54
Far East	5¼	118.1	118.1xd	125.6	-0.7	0.49
UK Smaller Cos	5¼	98.90	98.90	105.2	+0.1	3.50
European	5¼	53.85	53.85xd	57.40	+0.15	1.00
Japanese Growth	5¼	36.20	36.20	38.78	-0.17	0.00
Managed P'folio	5¼	49.97	50.29	53.50	+0.07	1.34
High Income	5¼	152.1	153.9	163.7	+0.9	5.99
High Yielding Gilt	5¼	62.03	61.03xd	64.29	+0.02	9.76
Cash		51.48	51.48	51.48	+0.01	9.36

Geoffrey Morley Unit Mgrs Ltd (1200)F

3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Everest Unit Tst	4	117.28	117.28	124.71	-0.09	2.60
Everest Smllr Cos	3½	222.78	222.78	242.03	-0.68	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING. The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING. The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ▼	5	306.9	306.9	327.7	+0.9	1.30
(Accum Units) ▼	5	359.0	359.0	383.4	+1.1	1.30
British	5	809.3	809.3	856.2	+0.2	3.81
(Accum Units)	5	1295.6	1295.6	1370.7	+0.3	3.81
European	5	326.2	326.2	347.4	+1.6	1.52
(Accum Units)	5	349.6	349.6	372.4	+1.8	1.52
Japan	5	116.8	116.8	124.7	-0.9	-
(Accum Units)	5	117.7	117.7	125.1	-1.0	-
New Pacific	5	171.2	171.2	182.1	-1.3	1.97
(Accum Units)	5	175.8	175.8	187.0	-1.3	1.97
PEP Aug 7	5	134.9	137.1	145.1		3.83
Mngd Equity	5	121.7	123.5	130.7	-0.1	3.56
Mngd Equity Acc	5	129.3	131.2	138.9	-0.1	3.56
Mngd Cash	5	96.18	96.18	100.9		10.42
(Accum Units)	5	113.9	113.9	119.5		10.62
Mngd Fixed Int	5	120.9	120.9	128.0		6.87
Majority Sdg	1	100.19	100.19	101.19	+0.02	10.39
Majority Sdg Acc	1	105.09	105.09	106.13	-0.01	10.39

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
International July 15	0	50.80	50.80	51.36	...	3.47

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equity	6	609.8	612.3	654.9	+1.3	3.20
North America	6	78.46	79.21	84.72	-0.37	0.97
Far East	6	92.10	93.03	99.50	-0.80	1.03
W'wide Bond	6	47.02	47.02	50.02	-0.01	6.20
European	6	66.30	67.31	71.99	+0.11	1.39
Equity Income	6	70.56	70.56	75.47	-0.02	5.03
Portfolio	6	58.11	58.64	62.72	-0.09	2.14

Sun Life of Canada Unit Mgrs Ltd (0800)H
Basing View, Basingstoke, Hants 0800 525775

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	6	26.47	26.47	28.32		0.51
Managed Assets	6	102.67	103.37	110.56	+0.01	4.07
UK Income	6	32.60	33.10	35.41	+0.05	4.67
UK Growth	6	32.59	33.01	35.31	-0.03	3.31

Edinburgh Fund Mngrs PLC
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
American Aug 7	158.9	163.3	+0.1	1.64
Managed Aug 7	147.3	152.8	+0.4	3.76
Japan Aug 8	114.6	118.8	-1.9	0.08
Sm Jap Cos Aug 9	555.2	570.5	-15.8	0.08

Fidelity Investment Services Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Mngd Pens P'folio	131.7	135.9	+0.10	3.50

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Am Exempt	480.41	487.52	+1.05	1.64
Gen Exempt	132.56	135.42	+0.42	4.17
Jap Exempt	474.25	483.72	+0.74	0.77
Pacific Exempt	102.53	104.35	+0.23	3.07
Cont Euro Exempt	96.58	98.48	+0.64	2.32
Mngd Exempt Aug 8	130.22	133.47	+0.26	4.64
Amer Index Exm Aug 8	105.57	106.63	-1.07	3.64
Japan Index Exm Aug 8	64.05	65.35	-1.75	0.45
Euro Index Exm Aug 8	95.92	97.86	+0.53	2.82
U'sea Index Exm Aug 8	99.05	101.23	-1.30	2.26

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital July 17	498.37	502.04	-	2.46
Gross July 17	179.05	180.50		10.80
High Yield July 17	293.47	295.84		6.96

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	53.72	54.82	+0.13	3.77

INVESCO MIM Management Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P'Folio	1296	1301xd		-
Mngd Pens (Acc)	68.70	73.20		-

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Property Jun 3	£2360.0	2475.0		6.00
Inc Gth Prp Apr 16	£1325.0	1460.0		7.20

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	107 9	113.5	.....	−
Pension Managed Fd	106.4	112.0	.....	−
Life Deposit Fd	108.5	114.3	.....	−
Pension Deposit Fd	114 2	120.2	.....	−
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	111.5	117.4	+0 9	−
Managed Growth	138.2	145.5	+0.9	−
Managed Opportunity	138 7	146.1	+0 9	−
NFMC Target Financial	105.2	110.8	+0.2	−
Pension Funds				
Managed Cautionary	122	128.5	+0.9	−
Managed Growth	146.3	154.1	+1.1	−
Managed Opportunity	139	146 4	+0.8	−
NFMC Target Mngd Pens	1545 7	1627 1	−2.6	−
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	164.3	173 0	.....	−
UK Equity	172.9	182.0	.....	−
Overseas Equity	136 7	143 9	.....	−
Fixed Interest	148 8	156.7	.....	−
Property	131.9	138.9	.....	−
Index Linked	147.3	155 1	.....	−
Deposit	159 4	167.8	.....	−
With Profits (B)	130 6	137.5	.....	−
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	356 6	375 4	+0.1	−
UK Equity	450.0	473.7	+0 6	−
Overseas Eq	352 4	371 0	+0 5	−
Americas	289 2	304 5	−1 2	−
Far East	373 4	393.1	−3 5	−
Property	191.9	202.1	−0.2	−
Fixed Int	262.6	276 5	−0.2	−
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	152.0	160 5	+0.5	−
Accum Equity	218.5	230.5	+0.5	−
Accum Managed	227.0	239.5	+0 5	−
Accum Five Star	170 0	179.5	+0.5	−
Accum World	125.5	132.5	+0.5	−
Accum Lifetime	110.9	110 9	+0.2	−
Pens Acc Equity	235.5	248.5	+1 0	−
Pens Acc Managed	282 0	297.0	+0.5	−
Pens Acc Intl	209.5	221 0	−0 5	−
Pens Acc Deposit	202 0	213.5	.....	−
Pens Acc Five Star	185.5	196.0	+1.0	−
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	229 7	242.3	.....	−
UK Fixed Int Acc	180.0	189.9	+0.3	−
Intl Equities Acc	177.8	187 6	−0.5	−
UK Managed Acc	176.0	185 6	−0 1	−
Property Acc	224 9	237.3	.....	−
Money Acc	130 6	137 8	.....	−
Special Market Acc	143 1	151 0	−0 2	−
Japan Equity Acc	101.7	107.3	−0.5	−
North American Acc	107.3	113.2	−0.5	−
Pacific Acc	95 9	101 2	−0 8	−
Technology Acc	123.5	130.3	−0.8	−
Nat Resources Acc	58 1	61.3	−0.3	−
European Acc	101.8	107 4	−0 2	−
Residential Prop Acc	96.1	101 4	.....	−
Swiss Equities Acc	34.8	36 8	−0.1	−
Hong Kong Acc	68.7	72.5	−0.5	−
UK High Inc Eq Acc	74.2	78.3	+0 1	−
Int Fixed Interest Acc	58.3	61.6	.....	−
Int Managed Acc	57 0	60.1	−0.1	−
HIP Managed Acc	118.4	124 8	−0.9	−
HIP Managed II Acc	101.3	106 8	−0 1	−
HIP Managed III Acc	108.5	114 4	.	−
Total Investment Bond				
UK Equity Initial		156 2	.....	−
UK Fixed Int Initial		122.6	+0 2	−
Intl Equities Initial		120.2	−0.3	−
UK Managed Initial		119 9	.....	−
Property Initial		154.3	.....	−
Money Initial		89.4	+0 1	−
Special Market Initial		111 2	.....	−
Japan Equity Initial		79 0	−0 4	−

[illegible]

OFFSHORE INSURANCES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

GUERNSEY (REGULATED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

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	Bid Price	Offer Price	+ or –	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$769.76			–
Fixed Income Shares	$996.25			–
Yamaichi Capital Mngmt (Guernsey) Ltd				
Japan Warr Growth	$10.28		–0.02	–
Yamaichi SSS Fund	$7.41		–0.04	–
Yamaichi OB Ping Fund	$8.14		–0.02	–
	39.48		–0.18	–
Yamaichi OTC Equity UT	$9.50		+0.05	–

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or –	Yield Gr's
GAM Fund Management Ltd (a)						
29 Kildare Street, Dublin						010 353 1760 630
GAM Universal US$ Acc		5–	110.21			–
GAM Universal US$ Inc		5–	108.01			–
GAM Universal DM Acc		DM–	120.83			–
GAM Universal DM Inc		DM–	118.11			–
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		5–	1.03	1.08	+0.01	–

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Short-covering boosts dollar

COVERING OF short positions pushed the dollar up quite sharply in European trading yesterday. This developed after support for the US currency held at DM1.70. The market was looking for a slide towards DM1.69, but when the higher support level held some large buying orders were seen, prompting a rush to cover.

Earlier in the Far East the dollar had weakened on speculation about a further easing of US monetary policy. This followed the comment by Mr Robert Parry, president of the Federal Reserve in San Francisco, that the Fed must act to maintain "sustainable economic growth." He added that the economy isn't clearly out of the woods and that recovery may be fairly modest."

Yesterday's economic news was more encouraging than last Friday's depressing US employment data. New applications for unemployment insurance benefits fell 4,000 in the week ended July 27, to a seasonally adjusted 400,000.

At the London close the dollar had climbed to DM1.7240 from DM1.7100; to Y136.50 from Y135.80; to SFr1.5090 from SFr1.4940; and to FFr5.8675 from FFr5.8150. On Bank of England figures the dollar's index rose to 66.0 from 65.9.

Sterling lost ground to the dollar and the D-Mark, influenced by the general improvement of the US currency and by expectations that next week's meeting of the Bundesbank council will result in higher German interest rates.

Against this background the belief that there is still some room to cut UK interest rates had a depressing impact on the pound.

Sterling fell 1.55 points to $1.6985. It also declined to DM2.9275 from DM2.9300; to FFr9.9650 from FFr9.9675; and to Y231.75 from Y232.75, but rose to SFr2.5625 from SFr2.5600. The pound's index lost 0.1 to 90.9.

In the European exchange rate mechanism sterling remained the third weakest currency. The D-Mark stayed third strongest and was slightly firmer overall.

Speculation about a tightening of monetary policy by the Bundesbank, at next Thursday's council meeting, was encouraged by a report from the German Economic Ministry's council of economic advisers, criticising the high level of wages in the eastern part of the country.

The Spanish peseta eased slightly, but stayed comfortably at the top of the ERM as the average yield remained at 12.25 per cent at the Bank of Spain's three-month Treasury bill auction. There had been some speculation that the yield would rise, in view of the Treasury's heavy financing requirements at present.

A widening of France's current account deficit in June to FFr4.43bn, from a revised FFr1.90bn in May had little impact on the franc, which remained the second weakest currency in the ERM. The D-Mark rose to FFR5.4034 from FFr5.4012 at the Paris fixing, but the peseta eased to FFr5.4335 per 100 from FFr5.4400.

£ IN NEW YORK

Aug.8	Latest	Previous Close
£ Spot	1.7015-1.7025	1.7125-1.7135
1 month	0.79-0.77pm	0.77-0.75pm
3 months	2.24-2.21pm	2.27-2.25pm
12 months	7.10-7.00pm	6.95-6.88pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug.8	Previous
8.30 am	91.0	91.0
9.00 am	91.0	91.0
10.00 am	91.0	90.9
11.00 am	91.0	91.0
Noon	91.0	91.0
1.00 pm	91.0	91.0
2.00 pm	90.9	90.9
3.00 pm	90.9	91.0
4.00 pm	90.9	91.0

CURRENCY MOVEMENTS

Aug 8	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.9	-20.5
U.S Dollar	66.0	-13.0
Canadian Dollar	105.6	+2.7
Austrian Schilling	109.1	+11.5
Belgian Franc	110.5	-2.6
Danish Krone	107.8	+2.5
D-Mark	117.0	+23.8
Swiss Franc	108.9	+17.7
Dutch Guilder	113.3	+15.4
French Franc	102.1	-13.6
Lira	98.2	-20.1
Yen	137.7	+70.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Aug.7

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 8	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.392	-3.92	5.38	68
Belgian Franc	42.4032	42.2480	-0.37	1.62	23
D-Mark	2.05586	2.04971	-0.30	1.55	26
Dutch Guilder	2.31643	2.31090	-0.24	1.49	17
Italian Lira	1538.24	1534.53	-0.24	1.49	17
Irish Punt	0.767417	0.767227	-0.02	1.27	6
Sterling	0.696904	0.700644	0.54	0.71	-11
French Franc	6.89509	6.97594	1.17	0.07	-58
Danish Krone	7.84195	7.93982	1.25	0.00	-52

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6980 - 1.7205	1.6980 - 1.6990	0.78-0.76cpm	5.44	2.25-2.22pm	5.26
Canada	1.9475 - 1.9710	1.9475 - 1.9485	0.85-0.74cpm	4.90	1.18-1.05pm	2.29
Netherlands	3.2915 - 3.3050	3.2950 - 3.3050	½-¼cpm	1.82	1¾-1¼pm	1.74
Belgium	60.05 - 60.35	60.05 - 60.15	12-8cpm	2.00	27-18pm	1.50
Denmark	11.2975 - 11.3465	11.2975 - 11.3075	2-1¼orepm	1.73	4¾-3¼pm	1.53
Ireland	1.0915 - 1.0990	1.0950 - 1.0960	0.09-0.04cpm	0.71	0.31-0.11pm	0.77
Germany	2.9240 - 2.9300	2.9250 - 2.9300	½-⅜pfpm	1.79	1½-1pm	1.71
Portugal	250.00 - 251.90	250.90 - 251.90	99-187cdis	-6.83	231-318dis	-4.37
Spain	182.55 - 183.70	182.80 - 183.10	21-31cdis	-1.71	65-82dis	-1.61
Italy	2187.70 - 2193.70	2192.25 - 2193.25	par-2liredis	-0.55	3-5dis	-0.73
Norway	11.4050 - 11.4490	11.4050 - 11.4150	1¼-⅝oredis	-0.99	2½-1½pm	0.70
France	9.9385 - 9.9700	9.9600 - 9.9700	1¾-1½centpm	1.51	3⅝-3pm	1.28
Sweden	10.6065 - 10.6440	10.6075 - 10.6175	1-⅜orepm	0.78	1½-⅝pm	0.40
Japan	231.25 - 233.00	231.25 - 232.25	¾-⅝ypm	3.56	2¼-2pm	3.56
Austria	20.53 - 20.60	20.53 - 20.56	3¼-2¼gropm	1.68	8¾-5¾pm	1.38
Switzerland	2.5575 - 2.5675	2.5575 - 2.5675	¾-⅝cpm	3.22	2-1¾pm	2.93
Ecu	1.4230 - 1.4245	1.4235 - 1.4245	0.17-0.12cpm	1.22	0.31-0.25pm	0.79

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.10-4.05cpm. 12 Month 7.20-7.10cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6980 - 1.7205	1.6980 - 1.6990	0.78-0.76cpm	5.44	2.25-2.22pm	5.26
Ireland†	1.5535 - 1.5705	1.5560 - 1.5570	0.56-0.51cpm	4.12	1.70-1.60pm	4.24
Canada	1.1450 - 1.1470	1.1460 - 1.1470	0.29-0.32cdis	-3.19	0.84-0.89dis	-3.02
Netherlands	1.9150 - 1.9440	1.9430 - 1.9440	0.58-0.61cdis	-3.67	1.81-1.86dis	-3.78
Belgium	35.05 - 35.45	35.35 - 35.45	9.50-11.50cdis	-3.56	30.00-36.00dis	-3.73
Denmark	6.5900 - 6.6575	6.6525 - 6.6575	1.87-2.17oredis	-3.64	5.75-6.50dis	-3.68
Germany	1.6985 - 1.7245	1.7235 - 1.7245	0.50-0.52pfdis	-3.55	1.59-1.62dis	-3.72
Portugal	146.45 - 148.10	148.00 - 148.10	85-100cdis	-7.50	290-320dis	-8.24
Spain	106.40 - 107.65	107.40 - 107.50	61-65cdis	-7.04	180-187dis	-6.83
Italy	1272.80 - 1291.25	1290.75 - 1291.25	6.00-6.50liredis	-5.81	18.40-19.40dis	-5.86
Norway	6.6430 - 6.7200	6.7150 - 6.7200	2.30-2.60oredis	-4.38	7.20-7.90dis	-4.50
France	5.7810 - 5.8700	5.8650 - 5.8700	1.87-1.92cdis	-3.88	5.74-5.84dis	-3.95
Sweden	6.1740 - 6.2685	6.2450 - 6.2500	2.30-2.55oredis	-4.66	7.30-7.85dis	-4.85
Japan	135.30 - 136.55	136.45 - 136.55	0.19-0.21ydis	-1.76	0.57-0.59dis	-1.70
Austria	11.9680 - 12.0900	12.0850 - 12.0900	3.50-3.95grodis	-3.70	10.70-11.90dis	-3.74
Switzerland	1.4885 - 1.5095	1.5085 - 1.5095	0.25-0.28cdis	-2.11	0.80-0.86dis	-2.20
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Aug 8	£	$	DM	YEN	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	ECU
£	1	1.699	2.928	231.8	9.965	2.563	3.300	2193.	1.948	60.10	1.424
$	0.589	1	1.723	136.4	5.865	1.509	1.942	1291	1.147	35.37	0.838
DM	0.342	0.580	1	79.17	3.403	0.875	1.127	749.0	0.665	20.53	0.486
YEN	4.314	7.330	12.63	1000.	42.99	11.06	14.24	9461	8.404	259.3	6.143
F Fr.	1.004	1.705	2.938	232.6	10.	2.572	3.312	2201	1.955	60.31	1.429
S Fr.	0.390	0.663	1.142	90.44	3.888	1	1.288	855.6	0.760	23.45	0.556
N Fl.	0.303	0.515	0.887	70.24	3.020	0.777	1	664.5	0.590	18.21	0.432
Lira	0.456	0.775	1.335	105.7	4.544	1.169	1.505	1000.	0.888	27.41	0.649
C$	0.513	0.872	1.503	119.0	5.116	1.316	1.694	1126	1	30.85	0.731
B Fr.	1.664	2.827	4.872	385.7	16.58	4.265	5.491	3649	3.241	100.	2.369
ECU	0.702	1.193	2.056	162.8	6.998	1.800	2.317	1540	1.368	42.21	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE, LONDON (LIFFE), CHICAGO and PARIS futures and options tables: [illegible]

Option on long-term French bond (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
102	-	3.39	-	-	0.23	0.50
103	-	-	2.86	0.02	0.38	-
104	-	-	-	0.10	0.65	1.08
105	0.50	1.25	1.65	0.37	1.02	1.48
106	0.15	0.81	-	1.01	-	-
107	0.04	0.50	0.83	-	-	-
Open Int	139,351	54,363	11,395	103,736	38,992	18,430

Estimated volume 25,588 Total Open Interest 366,267

BASE LENDING RATES

	%		%		%
Adam & Company	11	Co-operative Bank	11	McDonnell Douglas Bnk.	11
Allied Trust Bank	11	Coutts & Co	11	Midland Bank	11
AIB Bank	11	Cyprus Popular Bk	11	Mount Banking	11
● Henry Ansbacher	11	Dunbar Bank PLC	11	NatWestminster	11
B & C Merchant Bank	11	Duncan Lawrie	11	Northern Bank Ltd	11
Bank of Baroda	11	Equatorial Bank plc	11	Nykredit Mortgage Bank	12
Banco Bilbao Vizcaya	11	Exeter Bank Limited	11½	Provincial Bank PLC	14
Bank of Cyprus	11	Financial & Gen. Bank	11.5	Roxburghe Bank Ltd.	12
Bank of Ireland	11	First National Bank Plc.	14	Royal Bk of Scotland	11
Bank of India	11	● Robert Fleming & Co.	11	● Smith & Williamsn Secs.	11
Bank of Scotland	11	Robert Fraser & Ptnrs.	11½	Standard Chartered	11
Banque Belge Ltd.	11	Girobank	11	TSB	11
Barclays Bank	11	● Guinness Mahon	11	Unibank plc	11
Benchmark Bank	11	● Hambros Bank	11	● United Bk of Kuwait	11
Brit Bk of Mid East	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	11
● Brown Shipley	11	Heritable & Gen Inv Bnk.	11	Western Trust	11
CL Bank Nederland	11	● Hill Samuel	11	Westpac Bank Corp.	11
Citibank NA	11	C. Hoare & Co.	11	Whiteaway Laidlaw	11
City Merchants Bank	11	Hongkong & Shanghai	11	Yorkshire Bank	11
Clydesdale Bank	11	● Leopold Joseph & Sons	11		
Comm. Bk. of London Plc	11	Lloyds Bank	11		
		Meghraj Bank Ltd	11		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Rate rise feared

GERMAN BANKS appear to be hoarding money for fear of higher official interest rates. The Bundesbank council meets next Thursday, amid speculation that the discount, if not the Lombard emergency financing rate, will be raised. Mr Helmut Schlesinger, Bundesbank president, and Mr Karl Thomas, head of one of the central bank's regions, have both said that the discount rate is too low.

UK clearing bank base lending rate 11 per cent from July 12, 1991

Demand for funds pushed banks' reserve holdings at the Bundesbank up to DM81.0bn from DM79.4bn on Tuesday, and has nudged call money up to the 9 per cent Lombard level. This has prompted increased use of the Lombard facility, with bank's borrowing DM2.2bn on Wednesday.

In London longer term interest rates rose. Three-month sterling interbank was unchanged at 11-10⅞ per cent but 12-month money rose to 10$\frac{11}{16}$-10$\frac{9}{16}$ from 10$\frac{11}{16}$-10$\frac{9}{16}$ per cent.

Prices of short sterling futures weakened on Liffe as hopes faded that an easing of the US Federal Reserve's monetary stance would encourage an early cut in UK bank base rates. September delivery fell to 89.23 from 89.26 and December to 89.70 from 89.75.

Credit was in short supply on the cash market. The Bank of England initially forecast a shortage of £1,550m, but revised this to £1,600m at noon. Total assistance of £1,358m was provided.

In early operations the authorities bought £781m bills, including £131m outright, by way of £2m Treasury bills in band 1 at 10⅞ per cent and £129m bank bills in band 1 at 10⅞ per cent. Another £650m bills were purchased for resale to the market in equal amounts on August 23 and 27, at a rate of 10$\frac{15}{16}$ per cent. Before lunch another £6m Treasury bills were bought outright in band 1 at 10⅞ per cent.

In the afternoon £146m bills were purchased outright, via £50m Treasury bills in band 1 at 10⅞ per cent; £85m bank bills in band 1 at 10⅞ per cent; and £11m bank bills in band 2 at 10⅞ per cent. Late assistance of around £425m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £996m, with the unwinding of bill repurchase agreements absorbing £310m; exchequer transactions £15m; a rise in the note circulation £100m; and bank balances below target £130m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.8) 3 months US dollars		6 months US Dollars	
bid 5$\frac{9}{16}$	offer 5$\frac{11}{16}$	bid 5¾	offer 5⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

		Treasury Bills and Bonds			
Prime rate	8½	One month	[illegible]	Three year	[illegible]
Broker loan rate	7¾	Two month	5.53	Four year	7.04
Fed.funds	5⅝	Three month	5.49	Five year	7.46
Fed.funds at intervention	-	Six month	5.63	Seven year	7.79
		One year	5.77	10-year	7.93
		Two year	6.46	30-year	8.17

Aug 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	8.90-9.05	9.00-9.15	9.15-9.30	9.30-9.50	9.00
Paris	9-9¼	9¼-9⅜	9¼-9½	9⅜-9½	9⅜-9$\frac{11}{16}$	9.25
Zurich	7¼-7⅝	7⅝-7⅞	-	7¾-8	-	-
Amsterdam	8.75-8.88	9.14-9.22	-	9.24-9.32	-	-
Tokyo	7⅛-7¼	7$\frac{3}{16}$-7$\frac{1}{16}$	-	7⅛-7$\frac{1}{16}$	-	-
Milan	10¾-11	11¼-11⅜	-	11⅞-12¼	-	-
Brussels	8.75-8.87	9.14-9.22	-	9.24-9.32	-	-
Dublin	9⅝-9½	9¾-10	10-10¼	10¼-10¾	10$\frac{3}{16}$-10¼	-

LONDON MONEY RATES

Aug 8	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	11¼	11$\frac{1}{16}$	11	10$\frac{13}{16}$	10¾
Interbank Bid	11	11	10$\frac{15}{16}$	10⅞	10$\frac{11}{16}$	10⅝
Sterling CDs	-	-	11$\frac{1}{16}$	10⅞	10$\frac{11}{16}$	10$\frac{11}{16}$
Local Authority Deps	11⅛	11⅛	11⅛	10$\frac{15}{16}$	10¾	10$\frac{11}{16}$
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11½	10$\frac{15}{16}$	10$\frac{15}{16}$	10⅝	-	-
Company Deposits	-	-	11¼	11	11	10$\frac{11}{16}$
Finance House Deposits	-	-	11	10$\frac{15}{16}$	10$\frac{13}{16}$	10¾
Treasury Bills (Buy)	-	-	10$\frac{11}{16}$	10$\frac{5}{16}$	10	-
Bank Bills (Buy)	-	-	10$\frac{13}{16}$	10$\frac{11}{16}$	10$\frac{5}{16}$	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.60	5.62	5.77	6.05
SDR Linked Dep. Offer	-	-	7$\frac{5}{16}$	7$\frac{11}{16}$	7⅝	8
SDR Linked Dep. Bid	-	-	7$\frac{3}{16}$	7$\frac{7}{16}$	7⅝	7¾
ECU Linked Dep. Offer	-	-	9$\frac{13}{16}$	9$\frac{5}{8}$	9$\frac{13}{16}$	10
ECU Linked Dep. Bid	-	-	9$\frac{5}{16}$	9¾	9$\frac{11}{16}$	9⅞

Treasury Bills (sell), one-month 10$\frac{9}{16}$ per cent; three months 10$\frac{5}{16}$ per cent; six months 10 per cent; Bank Bills (sell); one-month 10$\frac{11}{16}$ per cent, three months 10$\frac{9}{16}$ per cent; Treasury Bills: Average tender rate of discount 10.3082 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1991. Agreed rates for period Aug 26,1991 to September 24, 1991, Scheme I: 12.31 p.c., Schemes II & III: 12.38 p.c. Reference rate for period June 29, 1991 to July 31, 1991, Scheme IV&V: 11.136 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ from August 1, 1991; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7½ per cent, one-three months 10 per cent, three-six months 9½ per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7½ per cent from July.15,1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.7,616 Set by HIGHLANDER

ACROSS

1 Shakespeare's power to show determination? (8,2,4)
10 A political movement in the playground (5)
11 He helps people to disfigure one protected by the devil (9)
12 Grass to spare – needs shifting (7)
13 Opportunity to include your leader's name is faint, says doctor (7)
14 Whose last case note is in explosive package arriving at river? (5)
16 Did not concur with gluttony, cook said originally (9)
19 Man said bad storm will create chaos (9)
20 Treatise covers a lot of ground (5)
22 Almost certain to qualify top (7)
25 Bouillabaisse of bloaters – not a dish for shellfish lovers (7)
27 Without drinking money – missing round (9)
28 In this day and age people change for the better (5)
29 In her case, finds another way to withdraw voting rights (14)

DOWN

2 Story covering armistice reported in supplement (9)
3 Impatient with sign of hesitancy – about time! (5)
4 Cut more obsolete type of fuel container (9)
5 Decomposed organic matter, you said, smells dreadful outside (5)
6 Verbally crossed swords with old soldier in this period (9)
7 Elected to run in first section (5)
8 Told stories about two Poles taking engineering oil from plant (7)
9 Agree to appear as director (9)
15 Time when madness descended on North American (9)
17 Plant with medicinal properties, not taken up by ignorant person (9)
18 Previous legislative member goes over the point with precision (9)
19 Annoyed exclamation of amount, all raised by rebellious (7)
21 Botched raid in the border produces outburst (7)
23 They support periods of inactivity (5)
24 One example of cattle (5)
26 Offensively loud female porter given request to keep quiet (5)

Solution to Puzzle No.7,615

هكذا من الأصل

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Aug 7	Aug 6	Aug 5	Aug 2	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3026.61	3027.28	2989.04	3006.26	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	95.33	95.14	94.88	94.82	95.33 (7/8)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1225.67	1227.08	1217.74	1223.20	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.49	203.81	202.43	202.78	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3050.54 (3034.88) Low 3008.50 (2970.48)

STANDARD AND POOR'S

	Aug 7	Aug 6	Aug 5	Aug 2	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	390.56	390.62	385.06	387.18	390.62 (6/8)	311.49 (9/1)	390.62 (6/8/91)	4.40 (1/6/32)
Industrials	465.50	465.60	458.85	461.66	465.60 (6/8)	364.90 (9/1)	465.60 (6/8/91)	3.62 (21/6/32)
Financial	31.01	30.97	30.53	30.62	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	213.75	213.71	210.99	212.03	213.75 (7/8)	170.97 (9/1)	213.75 (7/8/91)	4.46 (25/4/42)
Amex Mkt. Value	367.33	366.88	366.71	368.40	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	507.46	505.20	502.61	505.67	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	Aug 2	July26	July19	year ago (approx.)
Dow Industrial Div. Yield	3.07	3.10	3.04	3.84

	Jul 31	Jul 24	Jul 17	year ago (approx.)
S & P Industrial div. yield	2.70	2.77	2.74	2.94
S & P Indl. P/E ratio	19.50	19.02	19.74	16.95

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
MGIC Inv Corp	4,600,100	28⅜	—
Tenneco	4,007,300	39⅞	+ 3¼
RJR Nabisco	2,846,500	11⅛	+ ⅛
Philip Morris	2,501,900	71⅝	+ ⅜
Pepsico	1,927,100	32½	+ ¼
Telefonos	1,589,800	30½	- ⅛
Fannie Mae	1,540,900	59⅝	+ ⅞
Gen Electric	1,530,600	73¼	+ 1
Glaxo	1,319,800	44⅞	+ ½
Limited Inc	1,301,500	31⅛	+ 1¼

TRADING ACTIVITY

† Volume Millions	Aug 7	Aug 6	Aug 5
New York SE	170.820	173.641	125.790
Amex	11.357	11.963	9.373
NASDAQ	177.269	149.716	117.088
NYSE			
Issues Traded	2,087	2,100	2,077
Rises	873	1,110	583
Falls	698	485	964
Unchanged	516	505	530
New Highs	161	128	80
New Lows	9	11	12

CANADA

TORONTO	Aug 7	Aug 6	Aug 5	Aug 2	1991 HIGH	1991 LOW
Metals & Minerals	3157.93	3139.68	(c)	3163.64	3299.99 (18/7)	2632.06 (9/1)
Composite	3528.70	3515.40	(c)	3522.71	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1863.53	1857.33	1856.36	1861.59	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, August 8, 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Osaka Gas	5.2	534	+11	General Sekiyu	2.3	1,570	+70
Showa Shell Sek	3.8	1,800	+30	M'bishi Matrls	2.2	601	+1
Nippon Steel	3.6	408	-6	Nippon Mining	2.1	655	-9
M'bishi Oil	3.4	1,110	+30	Nippon Carbon	2.0	981	-9
Mitsui Ship	3.2	575	+12	Hitachi	1.8	1,110	+10

3:15 pm prices August 8

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
9⅝	6⅛	ZenithElec				2 407	6⅝	6⅛	6⅜	−¼
18½	12	Zenith Nat x	1.00	0.05	101	387	17¼	17⅛	17¼	+⅛
6¼	4½	Zenix Inc	0.84	0.14		13	6	5⅞	5⅞	−⅛
15⅛	10⅞	Zero Corp x	0.40	0.03	16	224	14	13⅝	14	+⅜
41⅞	29½	Zurn Ind	0.88	0.02	15	236	38½	38⅛	38¼	+¼
13½	10¼	Zweig Fund	1.12	0.09		180	12⅝	12½	12½	−⅛
10	8½	Zweig Tot r	0.96	0.10		343	u10	9⅞	10	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices August 8

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
OMI Corp	0.14	15	1073	u9½	9¼	9¼	−⅛
Pall Corp	0.44	27	251	36	35¾	36	
Pegasus G		8	348	12⅛	12⅜	12⅜	−⅛
Perini		7	17	11⅝	11¼	11¼	−½
Pet H&P	0.31	12	3	10	10	10⅛	+⅛

NASDAQ NATIONAL MARKET

3:00 pm prices August 8

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		35	2493	u29⅛	27½	28¼	+⅛
XL Data		36	4315	12⅛	12⅛	12⅛	−⅛
Xoma Corp		10	10592	19⅜	18	18½	−⅛
Yellow Fr x	0.94	16	516	30½	30	30	−½
York Rsch		6	1156	6⅞	6¼	6⅞	+⅛
ZionsUtah	1.44	9	73	46¾	46	46	−⅛

AMERICA

Program during afternoon wipes out early Dow gain

Wall Street

HOPES OF another cut in interest rates sent stocks higher yesterday morning until a huge sell program executed at 1 pm sent blue chips plunging, *writes Patrick Harverson in New York.*

By 1.30 pm the Dow was down 17.22 at 3,009.39. The more broadly based Standard & Poor's 500 was also weaker at midsession, down 1.08 at 389.48 at 1 pm, while the Nasdaq composite of over-the-counter stocks again outperformed, rising 1.51 to 508.97. Volume on the New York SE was 109m shares by 1 pm.

Shares spent most of the morning in positive territory, as investors speculated about whether the discount rate would be cut from its current level of 8.5 per cent. At one stage the Dow flirted with its record closing high of 3,035.33.

Shares held on their gains until 1 pm, when one big sell program sent the market tumbling by almost 20 points in a few minutes. Observers said the program was not linked to any fundamental factors, but was probably a large investor taking profits earned during the recent rise.

Among individual issues Tenneco remained actively bought in the wake of the appointment of a new president. Hopes that Mr Michael Walsh, who has a reputation as an instigator of radical change, will revitalise the company helped Tenneco shares add $2¼ to $42¾ on volume of 1.6m.

Wells Fargo jumped $4 to $73¾ after Mr Warren Buffet, the well-known American investor, received permission from the Federal Reserve to buy up to 22 per cent of the Californian bank's shares. Mr Buffet already owns just under 10 per cent of Wells Fargo.

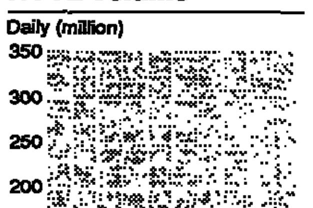
The two other big West Coast banks rose in sympathy, with Security Pacific up $¼ at $23¾ and BankAmerica $⅛ at $37.

There was also a flurry of buying in two New York bank stocks. Manufacturers Hanover climbed $1⅜ to $30¼ and Chemical Bank rose $⅞ to stand at $27 in active trading. The two banks are due to merge by the end of the year.

HAL, the majority owner of Hawaiian Airlines, slumped $1½ to $7⅞ on the news that it plans to issue more stock and restructure its debt to avoid having to file for bankruptcy.

Avantek soared $2¼ to $4⅝ on volume of 1.5m shares after it entered into a definitive agreement to be acquired by Hewlett-Packard for $82.8m, or $4.60 a share. Hewlett-Packard edged $⅛ higher to $54½.

NYSE volume



Canada

TORONTO stocks were flat at midday after recovering from early losses, as the market consolidated and waited for direction from New York. The composite index eased 3.1 to 3,525.5, with transactions valued at C$100.4m. Declines led advances by 218 to 159.

Mediocre second-quarter earnings results contributed to the market's weakness.

Moore Corp fell C$1 to C$28¼. The company reported second-quarter earnings below market expectations. Brascan class A shares dropped C$⅝ to C$18¼. It reported second-quarter earnings of 1 cent versus 49 cents.

Rogers Cantel, flat at C$19½, topped the most active list on its first day of trading.

Ministers try to revive Istanbul's exchange

But a full recovery depends on the result of the general elections, says David Barchard

TURKEY'S economic overlords, Mr Ekrem Pakdemirli, deputy prime minister, and Mr Adnan Kahveci, finance minister, are trying to breathe life back into Istanbul's stock exchange. This follows a dismal July, during which the market dropped to its lowest level of the year.

Stocks fell on average by almost 21 per cent last month and, with investors showing signs of abandoning the market, the government weighed in. On July 30 the 75-share index dropped to 2,892.94, a hefty 46.8 per cent below the year's high of 5,433 set in February.

On July 31 the two ministers promised to support the market, perhaps by allowing investment incentive funds to be channelled through the exchange. The market responded with an immediate surge of 148.5 points or 5.1 per cent to 3,041. Yesterday it closed at 3,236.15, down 12.05.

Mr Pakdemirli said: "We are behind the exchange, but it needs to be strengthened. The current level of the index is wrong. A lot of shares are at half their real value. Anyone who has got money should be buying now."

A sustained improvement, however, will probably come only when the underlying reasons for the market's malaise are removed. And that in turn may depend on when Turkey next has general elections – and on which government holds power after them.

Last month's poor showing was the result of several factors. "Demand for stock is very slack at the moment. Investors are switching away into Treasury bonds or the newly opened bond market, or even foreign currency," says one Turkish official. "There is no new money entering the exchange at the moment."

One reason why some individuals have begun pulling money out of stocks and shares is that, during July, bank interest rates on term deposits showed signs of rising again. They had been pushed down below the annual inflation rate on ministerial instructions in May. The newly installed government of Mr Mesut Yilmaz is expected to allow banks more freedom to set real interest rates on deposits.

A banker says: "I think Turkish investors are reading the signs. They see from the way the government is behaving that it is probably planning to hold elections this autumn and, until the elections are out of the way, the market is not going to settle down again."

To outsiders the flagging appeal of Turkish companies is all the more puzzling because, in many cases, profits have risen steeply this year

To outsiders the flagging appeal of Turkish companies is all the more puzzling because, in many cases, profits have risen steeply this year – even allowing for the country's 65 per cent annual inflation.

Sabah Yayincilik, the company that publishes Turkey's largest-selling daily, pushed up its 1990 profits to TL13.4bn ($3m) from the previous year's TL4bn. But the market paid little attention.

"Turkish investors are not very interested in the performance of particular companies yet," says one American banker in Istanbul. "They prefer the security which comes from trading in a few well-known shares such as the Koç group or Sabanci."

Even so, Koç Holding, the country's oldest, largest and best-managed industrial conglomerate, has not been rewarded by the market for producing a 137 per cent rise in first-half post-tax profits.

Vestel, the consumer electronics subsidiary of Polly Peck International, is limping along at TL6,000, far below its flotation price of TL13,500 in June last year, when 18 per cent of its shares were issued.

The best performers have tended to be recently privatised cement companies, sold at a discount by the government and grabbed by private investors who anticipated an appreciation in the shares.

Part of the indifference to company performance comes from the nature of investors on the stock exchange. Institutional investors are growing, but much of the market is still made up of Istanbul's traditional merchant groups, who have a shrewd eye for short-term opportunities but regard stocks as just one of several ways of making money in a volatile and highly inflationary environment.

However, a growing number of brokerage houses testifies to a steadily increasing interest in the market. And President Turgut Ozal's younger son, Mr Efe Ozal, 24, attracted nationwide attention earlier this year when he purchased a substantial minority shareholding in Marjinal Menkul Degerler, a medium-sized broker.

EUROPE

Company results enliven trade in some bourses

SOME BOURSES were enlivened by interim results yesterday, while others traded quietly in a narrow range, *writes Our Markets Staff.*

AMSTERDAM was pleased with the first-quarter results from KLM, but was let down by Royal Dutch's second-quarter figures. The CBS tendency index ended 0.2 lower at 92.7, reflecting a slow start on Wall Street.

KLM jumped Fl 2.10 to Fl 31 on short-covering, after reporting that net profit for its first quarter, ending June 30, more than trebled to Fl 135.9m. But Royal Dutch fell Fl 1.30 to Fl 159.50 after reporting historic cost net income of £533m, well below forecasts of between £575m and £710m.

STOCKHOLM saw bargain-hunting after its recent weakness. The Affärsvärlden General index added 6.70 to 1,090.2, although volume fell to SKr357m from SKr523m.

SKF free Bs rose SKr3 to SKr105 after the company reported better-than-expected, first-half group income after financial items, and forecast an improved second half.

COPENHAGEN edged lower in thin trading, as attention focused on first-half results. The index eased 0.67 to 378.42.

Superfos, the agri-foods group, shed DKr250 to DKr5,150 after reporting a drop in half-year net profits, but Flügger, the paint maker, gained DKr130 to DKr990 after its results.

OSLO saw heavy selling of Saga Petroleum before its first-half figures today. The all-share index dropped 5.17 to 512.43 in turnover of NKr198m. Saga restricted As fell NKr5 or 4.8 per cent to NKr99.50.

FRANKFURT consolidated after Wednesday's 1.2 per cent rise. The DAX index closed 1.22 down at 1,630.21, falling as low as 1,625.11 shortly after the opening and reaching a peak of 1,637.74 by midsession. The FAZ index, calculated at midsession, rose 3.30 to 677.30, reflecting the previous day's gains in the second part of the session. Volume rose marginally to DM5bn from DM4.9bn.

Continental, the tyremaker, reacted belatedly to the previous day's news that it was following Michelin of France in raising tyre prices. Having been steady at DM198 on Wednesday, the stock jumped DM8 or 4 per cent to DM206.

Schering, the pharmaceutical company, recovered DM5.50 to DM799, after falling recently in response to unimpressive interim results. A positive company meeting with domestic analysts also helped.

PARIS traded within a narrow range in thin dealings, but closed near the day's high. Buying again focused on Michelin and interest rate-sensitive stocks, as the CAC 40 index rose 7.06 to 1,789.50 in turnover of about FFr1.3bn, after Wednesday's FFr1.8bn.

Among the day's biggest gains, CCF, the bank, rose FFr5.20 or 3.3 per cent to FFr162 on volume of 202,230 shares and Compagnie Bancaire added FFr12 or 2.4 per cent to FFr522. Michelin gained another FFr1.30 to FFr110 on 566,350 shares.

Also strong were certificates in Rhône-Poulenc, the state-controlled chemicals group, which rose FFr12.10 or 3.3 per cent to FFr376.10, with 68,975 exchanged. An analyst said that the rise followed a push by a leading French brokerage, the Rhône-Poulenc Rorer figures on July 30, and the fall in the share price to FFr340 since it went ex dividend at the end of July.

MILAN closed mixed in calm trading, dominated by technical considerations related to next week's close of the August trading account. The Comit index fell just 0.31 to 569.43 in turnover estimated at more than Wednesday's L73bn.

Mediobanca fell L115 to L16,085 after the state holding company, IRI, denied that it was considering selling all or part of its indirect stake of 25 per cent in the merchant bank.

MADRID's general index eased 1.30 to 271.76, in light turnover of about Pta6bn, down from Pta7.6bn.

Repsol, the oil group, dropped Pta25 to Pta2,685. The fall followed this week's first-half results which, together with worries about second-half demand and prospects for the petrochemical industry, prompted James Capel to downgrade its full-year forecast for Repsol by about 3 per cent.

Shares in Iberdrola – the result of the merger of utilities Iberduero and Hidrola – closed at Pta675 on the first day of quotation. They opened at Pta670 and fluctuated between Pta677 and Pta668, in heavy volume of 1.25m shares.

BRUSSELS was discouraged by a weak bond market and by a sluggish opening on Wall Street. The Bel20 index fell 3.86 to 1,147.41.

Electrorail, a small holding company, was suspended from trading, pending a statement due on Monday.

ZURICH was little changed, as domestic inflation figures for July came in within expectations. The Crédit Suisse index rose 0.4 to 545.2.

FT-SE Eurotrack 100 - Aug 8

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1111.06	1111.84	1112.40	1112.72	1112.24	1112.58	1111.47	1111.44

Day's High 1113.15 Day's Low 1110.78

Aug 7	Aug 6	Aug 5	Aug 2	Aug 1
1113.11	1105.49	1110.63	1116.44	1114.40

Base value 1000 (26/10/90)

SOUTH AFRICA

JOHANNESBURG was firmer in thin trading. The all-gold index crept up 2 to 1,291, the industrial index added 12 to 4,085 and the all-share rose 14 to 3,480. Vaal Reefs was 50 cents up at R222.50 while De Beers eased 25 cents to R90.

ASIA PACIFIC

Nikkei falls on late round of options-linked selling

Tokyo

THE MARKET continued to languish in low volume yesterday, retreating late in the day on a round of options-linked selling, *writes Neil Weinberg in Tokyo.*

The Nikkei average closed near the day's low at 23,482.46, down 208.56, after staging the week's only gain of 226 points on Wednesday. The low was 23,475.04 and the high 23,839.18, while declines finally outpaced advances by 585 to 304 and 200 issues were unchanged.

The Topix first section index slipped 7.34 to 1,815.26 and the second section index shed 11.24 to 3,030.65, but in London the ISE/Nikkei 50 index rose 4.77 to 1,380.78.

At 180m shares, trading volume was up from the previous day's 170m but remained below the 200m level for the fifth consecutive day, reflecting the market's bearishness as well as the traditional summer lull.

Prices began slightly higher on arbitrage-linked buying, but stuck within a fairly narrow range. The sharpest move came late in the day on selling pressure related to today's close of trading in August stock index options.

Investors remained worried about where the unfolding bank and securities scandals would lead next, but they were even more concerned about widespread selling interest among institutions and margin traders.

Outstanding margin trading balances now stand at about 25 times daily trading volume, a high level by historical standards, and unrealised losses average about 15 per cent, according to Mr Craig Chudler, strategist at UBS Phillips & Drew. "The downside potential in this market is still very large," he said.

Reports that Todo Construction had cancelled a large condominium project in Los Angeles with All Nippon Airways triggered a retreat by builders. Todo ended Y10 down at Y1,460 on relatively heavy volume. Katsumura Construction retreated Y80 to Y1,200.

Among electricals, Pioneer Electronic dropped Y60 to Y3,710 and Casio Computer Y50 to Y1,330. Nikon, which suffered a heavy bout of selling earlier in the week on poor earnings expectations, rebounded by Y20 to Y1,060.

Electricity and gas utilities and non-life insurers continued to attract buyers on expectations that their earnings will receive a boost from interest rate cuts. Osaka Gas moved ahead Y11 to Y534 and Yasuda Fire & Marine Y14 to Y929.

Oil shares were supported by margin traders. General Sekiyu gained Y70 to Y1,570 and Mitsubishi Oil Y30 to Y1,110.

In Osaka, the OSE average dipped 11.48 to 25,826.32 on volume of 7.22m shares. Nintendo receded Y300 to Y12,400.

Roundup

THE Pacific Rim was generally lower yesterday, after Wednesday's gains.

AUSTRALIA ended slightly easier, after the flat performance overnight on Wall Street. A belief that domestic interest rates would not be cut before the budget on August 20, together with news of a jump in July unemployment, also made investors hesitant.

The All Ordinaries index lost a net 2.7 at 1,588.6, after reaching a day's high of 1,598.4. Turnover grew from A$270m to A$523m, but this included the sale of an 18 per cent stake in ANI, the engineering group, by Consolidated Press. ANI declined 5 cents to A$2.15.

News Corp bucked the trend, rising 36 cents to A$8.76 after an overnight New York gain.

Coca-Cola Amatil, the beverage and snack foods company, weakened 26 cents to A$8.20 on worries about the company's full year earnings. On Wednesday it reported a 25 per cent rise in net operating profit for the first half.

HONG KONG recovered from its lows, which had followed heavy deposit withdrawals from local Citibank branches in reaction to rumours – denied by the US bank – of financial difficulties. The Hang Seng index finished 14.75 off at 4,046.56, after falling more than 22 points earlier. Turnover was similar to Wednesday's at HK$1.57bn.

Playmates International, the maker of Teenage Mutant Ninja Turtle toys, dipped 55 cents to HK$5.15 after announcing a lower than anticipated rise in first-half profits.

KUALA LUMPUR lost 2.5 per cent, its largest single-day drop this year, as selling accelerated on fears of higher interest rates. The composite index fell 14.52 to 564.88 in volume of 48.6m shares, up from 33.8m.

SINGAPORE came off the day's lows on late bargain hunting. The Straits Times Industrial index fell 7.21 points initially, but closed only 2.97 down at 1,462.58. The market is closed today for the National Day holiday.

SEOUL retreated on profit taking in slow trading, although banks went limit up on rumours of planned rights issues. The composite stock index declined 3.57 to 738.10 on turnover of Won578bn.

TAIWAN closed higher after thin trading. The weighted index added 28.05 at 4,866.22 in turnover of T$20.2bn, after Wednesday's T$20.4bn.

BANGKOK's volume fell to its lowest for two months as the SET index dropped below the 700 support level. The index lost 6.10 to 699.89 on turnover of Bt1.92bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 7 1991								TUESDAY AUGUST 6 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	151.58	+1.1	131.11	130.12	134.76	128.62	+0.9	5.00	149.90	129.81	128.53	133.46	127.49	151.58	112.74	147.11
Austria (20)	176.06	−0.3	152.29	151.13	156.52	157.23	−0.1	1.60	176.53	152.87	151.37	157.17	157.43	222.37	167.00	250.29
Belgium (49)	132.55	+0.1	114.66	113.78	117.84	115.55	+0.4	5.10	132.40	114.66	113.52	117.88	115.09	151.20	121.73	148.98
Canada (114)	139.55	+0.4	120.71	119.79	124.06	115.96	+0.3	3.27	139.05	120.42	119.22	123.79	115.64	142.27	126.49	138.37
Denmark (37)	260.22	−0.1	225.09	223.38	231.34	235.09	+0.1	1.50	260.38	225.49	223.27	231.82	234.88	270.56	217.74	264.24
Finland (18)	101.01	−0.2	87.37	86.71	89.80	87.79	+0.2	2.74	101.24	87.68	86.82	90.14	87.63	125.15	90.00	134.49
France (109)	133.31	+1.1	115.31	114.43	118.50	121.60	+1.0	3.65	131.82	114.16	113.03	117.36	120.40	152.26	120.60	145.69
Germany (65)	109.23	+0.7	94.49	93.78	97.11	97.11	+0.6	2.31	108.47	93.94	93.02	96.57	96.57	125.35	102.03	129.51
Hong Kong (55)	169.49	+1.1	146.61	145.49	150.69	168.89	+1.1	4.13	167.59	145.14	143.70	149.22	167.00	169.57	119.62	129.21
Ireland (18)	155.70	−0.3	134.68	133.66	138.42	141.00	+0.0	3.55	156.17	135.24	133.91	139.04	140.96	182.46	132.88	168.68
Italy (77)	75.66	−0.7	65.44	64.94	67.26	72.32	−0.8	3.23	76.18	65.98	65.32	67.82	72.88	88.23	69.89	98.88
Japan (474)	131.55	+0.5	113.79	112.92	116.96	112.92	+0.6	0.75	130.87	113.33	112.22	116.53	112.22	146.97	118.35	132.59
Malaysia (68)	219.82	−0.9	190.14	188.69	195.42	234.30	−1.2	2.81	221.88	192.15	190.25	197.54	237.05	247.78	192.83	223.11
Mexico (18)	1114.00	−1.4	963.60	956.28	990.38	3672.86	−1.4	1.48	1129.52	978.17	968.53	1005.64	3724.03	1152.68	834.45	532.98
Netherland (31)	141.59	+0.7	122.47	121.54	125.88	124.53	+0.5	4.30	140.66	121.81	120.61	125.23	123.90	145.73	125.70	140.75
New Zealand (14)	47.63	+1.3	41.20	40.89	42.35	44.07	+1.4	6.90	47.04	40.73	40.34	41.88	43.48	54.64	41.18	64.84
Norway (32)	204.49	+0.8	176.88	175.54	181.80	185.90	+0.7	1.58	203.21	175.98	174.25	180.93	184.52	223.24	182.24	259.89
Singapore (36)	197.76	+0.0	171.06	169.76	175.81	157.30	+0.1	2.18	197.82	171.31	169.63	176.12	157.21	208.25	151.63	183.55
South Africa (61)	244.16	−0.4	211.20	209.59	217.06	173.00	+0.0	3.15	245.07	212.23	210.13	218.18	173.00	258.85	173.00	199.95
Spain (54)	152.17	+0.3	131.62	130.62	135.28	123.52	+0.4	4.34	151.67	131.34	130.05	135.03	123.00	171.12	131.51	163.05
Sweden (26)	187.81	−1.2	162.46	161.22	166.97	173.22	−1.0	2.56	190.08	164.61	162.99	169.23	174.95	204.12	146.60	214.30
Switzerland (58)	94.63	+0.4	81.86	81.24	84.14	87.66	+0.3	2.20	94.26	81.63	80.85	83.91	87.36	100.67	82.17	97.94
United Kingdom (240)	177.65	+1.0	153.67	152.49	157.92	153.67	+0.9	4.77	175.88	152.31	150.80	156.58	152.31	187.44	156.27	166.19
USA (527)	158.31	+0.0	136.94	135.91	140.75	158.31	+0.0	3.06	158.24	137.03	135.69	140.89	158.24	158.31	125.95	136.37
Europe (631)	138.90	+0.7	120.01	120.09	124.38	123.28	+0.6	3.87	138.94	120.32	119.14	123.71	122.54	151.52	125.50	146.49
Nordic (110)	188.53	−0.4	163.08	161.84	167.61	165.39	−0.3	1.97	189.34	163.97	162.35	168.58	165.81	200.81	155.55	209.58
Pacific Basin (718)	133.02	+0.5	115.06	114.19	118.26	114.76	+0.6	1.00	132.40	114.65	113.52	117.88	114.05	145.92	117.86	132.94
Euro – Pacific (1548)	136.08	+0.6	117.71	116.81	120.98	118.95	+0.6	2.23	135.27	117.14	115.98	120.43	118.22	147.66	121.29	138.82
North America (641)	157.08	+0.1	135.87	134.85	139.67	155.45	+0.1	3.07	156.97	135.94	134.61	139.76	155.36	157.08	125.91	136.40
Europe Ex. UK (391)	117.49	+0.4	101.63	100.87	104.47	105.81	+0.4	3.18	116.57	101.29	100.31	104.16	105.39	129.80	108.65	132.31
Pacific Ex. Japan (244)	147.60	+0.8	127.67	126.72	131.23	131.22	+0.7	4.29	146.46	126.84	125.51	130.41	130.36	147.60	111.40	136.27
World Ex. US (1740)	137.91	+0.6	119.29	118.39	122.61	120.30	+0.6	2.28	137.14	118.76	117.60	122.10	119.60	148.16	122.32	138.54
World Ex. UK (2027)	140.53	+0.3	121.55	120.64	124.94	130.03	+0.3	2.20	140.11	121.34	120.15	124.76	129.61	145.77	120.06	134.34
World Ex. So. Af. (2206)	143.10	+0.4	123.78	122.85	127.23	132.91	+0.4	2.56	142.56	123.46	122.25	126.93	131.40	148.66	122.92	137.02
World Ex. Japan (1793)	151.60	+0.3	131.13	130.14	134.79	142.67	+0.3	3.41	151.14	130.88	129.61	134.58	142.48	152.83	128.69	141.18
The World Index (2267)	143.76	+0.4	124.35	123.41	127.81	132.27	+0.4	2.57	143.23	124.04	122.82	127.53	131.76	149.01	123.28	137.34

Constituent changes with effect 9/8/91: Deletions, Cie Maritime Belge Ord. and A (Belgium). Latest prices were unavailable for this edition.